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WORLD NEWS

BA flights hit by cabin crew strike

European and UK domestic services by British Airways were disrupted when short-haul cabin crews held a 24-hour strike in support of a sacked air stewardess. Only three of the daily 51 shuttle services around Britain and just over half the scheduled European flights operated. Page 2; Union showdown, Page 4

Argentina talks
Britain and Argentina have agreed to formal talks on October 17 and 18 in Madrid, where they hope to announce a resumption of diplomatic relations. Both sides agreed to meet without prejudice to their respective positions on sovereignty over the Falkland Islands. Page 22

China executes 10
Ten people were executed in Chengdu, western China, on charges of robbery and murder. A further 4,900 were held in a four-month crackdown on crime, the Sichuan Daily newspaper reported. China fears, Page 2

S Africa crackdown
South African authorities clamped down on anti-apartheid activities, detaining the chief organiser of the current defiance campaign and banning a big rally. Page 2

Robots kill policemen
Sixteen people, including three policemen, were killed by members of the People's Liberation Front in attacks in Sri Lanka, military sources said.

Police chief shot dead
The police commander of Antioquia state, Colombia, who had led a campaign against the Medellín drug traffickers and death squads, was shot dead by gunmen.

10 killed in bus blast
A bomb blew up a bus near a Hindu shrine in north India, killing at least 10 and injuring 20. Sikh militants were blamed.

Estonian strikers return
Russian workers in Estonia began returning to work after suspending a strike against a new election law. They gave authorities six weeks to meet some of their demands or face a bigger stoppage.

Prague warning
Czechoslovakia warned that foreign tourists and journalists in Prague could be endangered in the event of illegal demonstrations during this weekend's 21st anniversary of the Soviet-led invasion of the country.

Man, United deal
Manchester United football club has been taken over by an Isle of Man property company in a deal which values the club at £20m. Page 22

Rationing lozenges
Devon and Cornwall face water rationing with a fortnight unless there is a 50 per cent cut in demand or prolonged rainfall.

Rich man free
Wealthy businessman Victor Cracknell escaped unharmed five days after being kidnapped at gunpoint from his Surrey home and held to ransom for \$1 million. Police refused to confirm whether any money was paid.

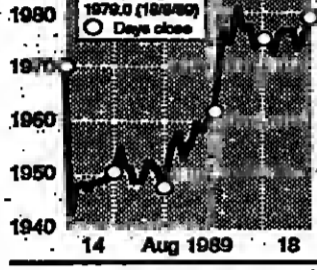
Search draws blank
The hunt for missing British teacher Fiona Jones, missing since Monday in the Picardie region of France, was scaled down after an intensive search by 250 soldiers and gendarmes found nothing.

BUSINESS SUMMARY

AIDS drug test boosts Wellcome

WELLCOME shares surged by 32 per cent in London after overnight US news about the effectiveness of AZT or Retrovir, its anti-AIDS drug. The UK pharmaceutical company's shares ended the day 164p higher at 678p.

That surge accounted for about 10 points of the 151.1 FT-100 gained yesterday, while the FT Ordinary index



— which includes Wellcome — ended a week of modest net improvement by adding only 4 points to 1,979. Page 22 and Lex: London stocks, Page 18; Hope for a breathing space, Page 7

NEWGATEWAY, loser of the bid battle for UK food retailer Gateway, agreed to accept the terms offered by victors.

US CONSUMER prices rose a modest 0.2 per cent in July. Page 2

PLESSEY, UK electronics group facing a £2bn hostile bid from General Electric Company of the UK and Siemens of West Germany, has paid about £10m to acquire a 2 per cent stake in rival Ferranti. Page 8

COMPAGNIE Financière de Suez received French stock exchange approval for its bid for Compagnie Industrielle, but was ordered to raise its price in the linked offer for leading insurer Group Victoire, in which Compagnie Industrielle holds a 40.17 per cent stake. Page 10

JAPANESE chip makers have agreed to set a minimum price for dynamic random access memory chips, so ending a dumping dispute with the EC. Page 2

FLETCHER CHALLENGE, New Zealand's biggest company, is to pay at least NZ\$20m (£20m) for Rural Banking and Finance Corporation, the state-owned lender of mortgage finance to farmers. Page 10

GENERAL ELECTRIC of the US said the US Navy had awarded it an order for F404-400 turbofan engines that could eventually be worth more than \$2bn (£1.28m).

KONICK, USM-listed leisure and healthcare group, is buying Bell Fruit amusement businesses for £25m. Bell Fruit belongs to Cope Allan, a subsidiary of holding company Quotidian. Page 8

IKL The management bid for control of Industrial Equity, Australian arm of New Zealand's main insurer, has been expanded to a full A\$1.6bn (£65.6m) takeover offer following objections from key shareholders. Page 10

TRAVELLERS FARE is offering 200 bounties to workers who can bring in recruits. Page 4

MIDLAND BANK is buying Midland Montagu House, its investment arm's City headquarters, through a \$50.5m recommended offer for Billingsgate City Securities. Page 8

DSM, Dutch chemicals group undergoing privatisation, boosted second-quarter profits to £1.88m (£98m) and said the offer price for its next share tranche would be announced next month. Page 10

Mazowiecki is asked to form Polish government

By John Lloyd in Warsaw

POLAND'S Communist Party all but relinquished the last vestiges of power yesterday when it seemed certain that the country's first Solidarity Prime Minister would be a scholarly Catholic journalist who edits the movement's weekly magazine.

Mr Tadeusz Mazowiecki's appointment as the head of the country's first non-communist government since just after the Second World War had not been officially announced last night but he spent much of yesterday seeing such dignitaries as President Jaruzelski, Mr Bronislaw Geremek, the Solidarity Parliamentary leader, and Mr Mieczyslaw Rakowski, the Communist First Secretary.

In his first message to his citizens, the 62-year-old intellectual said: "There are huge troubles, huge problems. It won't be easy, I am afraid of many things, but if I were only afraid, I would like people to feel that things are getting better."

An communique will be released today from the President's office, confirming Mr Mazowiecki's nomination. President Jaruzelski continued talks with groups including the lay Catholic political parties and a band of American senators led by Mr Alan Cranston. It is thought he will complete these consultations before he announces Mr Mazowiecki's appointment.

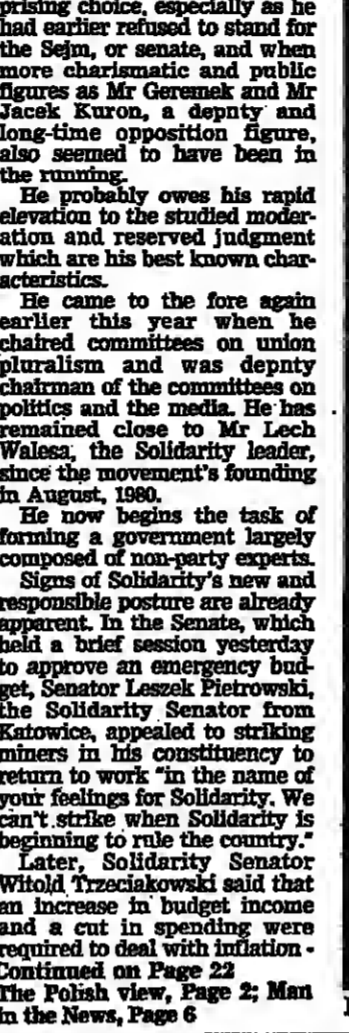
Mr Mazowiecki, a widower with three sons, was seen by many in Solidarity as a surprising choice, especially as he had earlier refused to stand for the Sejm, or senate, and when more charismatic and public figures as Mr Geremek and Mr Jacek Kuron, a deputy and long-time opposition figure, also seemed to have been in the running.

He probably owes his rapid elevation to the studied moderation and reserved judgment which are his best known characteristics.

He came to the fore again earlier this year when he chaired a commission on united pluralism and was deputy chairman of the committees on politics and the media. He has remained close to Mr Lech Walesa, the Solidarity leader, since the movement's founding in August, 1980.

He now begins the task of forming a government largely composed of non-party experts. Signs of Solidarity's new and responsible posture are already apparent. In the Senate, which held a brief session yesterday to approve an emergency budget, Senator Leszek Pietrowski, the Solidarity Senator from Katowice, appealed to striking miners in his constituency to return to work "in the name of your feelings for Solidarity. We can't strike when Solidarity is beginning to rule the country."

Later, Solidarity Senator Witold Trzeciakowski said that an increase in budget income and a cut in spending were required to deal with inflation. Continued on Page 22



Mr Tadeusz Mazowiecki, set to be Polish prime minister

Inflation rate starts downward trend

By Ralph Atkins, Economics Staff

BRITAIN'S INFLATION rate fell for the first time in 19 months in July, almost certainly marking the start of a downward path.

Retail prices increased at an annual rate of 0.2 per cent last month, fractionally lower than the 0.3 per cent in June, the Central Statistical Office said yesterday. That was the first fall since January last year when inflation was running at 3.3 per cent.

The figures backed claims by Mr Nigel Lawson, Chancellor of the Exchequer, that inflation has peaked. In coming months, last year's rises in mortgage rates, which pushed the retail price index (RPI) sharply higher, will start to drop out of year-on-year comparisons.

City analysts widely expect inflation to fall well below 0 per cent a year this month with some forecasting a rate as low as 7.3 per cent. By the end of the year, many predict inflation could be around 6% per cent.

The Treasury welcomed July's figure but said the rate was still too high and that there was a long way to go in its battle against inflation.

The drop ended a busy week of economic statistics that, almost without exception, have supported the Government's belief that high interest rates are slowing economic activity and easing inflationary pressures.

Growth has slowed in retail sales, factory-gate prices, manufacturing output and earnings.

The rate of fall in unemployment has also declined. Bank of England figures yesterday pointed to slower growth in the main money supply measures.

Between June and July the annual inflation rate increased by 0.1 per cent. Rises in non-seasonal foods and housing costs were offset by falls in seasonal foods and price reductions for clothing and footwear. The CSO said hot weather had had no apparent effect on prices.

In the same months last year there was also a rise of 0.1 per cent, which would suggest the annual rate in July should have been unchanged. However it fell because of rounding by government statisticians.

Excluding mortgage interest payments, the annual rate of inflation fell from 5.9 per cent to 5.3 per cent in July.

However, the tax and price index, which measures the change in gross income needed for taxpayers to maintain their purchasing power, saw a rise from 8.4 per cent to 8.5 per cent.

Last August the index increased by 1.1 per cent, largely because of a 1% per cent rise in mortgage rates. Assuming prices rise at a slower rate this August, the annual inflation rate must fall.

The all-items retail price index stood at 115.5 in July compared with 115.4 in June. The tax and price index rose to 111.1 from 110.9.

UK economy, Page 6; Money Markets, Page 11; Government bonds, Page 15; Lex, Page 22

DTI to probe Eagle Trust

By Philip Coggan

THE Department of Trade and Industry has been called in to investigate the affairs of Eagle Trust, the Midlands-based trust conglomerate, following the discovery that about £13.5m cannot be accounted for by the group's auditors.

It is understood that the board decided unanimously on Thursday to ask the DTI to investigate. The department stuck to its normal line of not commenting on individual company's affairs yesterday.

The investigation follows the demise of Eagle Express (formerly Connect), the parcel distribution group, which had debts of more than £33m when it was put into liquidation last month. The DTI will doubtless look into the question of what happened to investments made by Eagle in Connect and Latorza, an automotive company. The 1987 accounts reveal a £14.9m loan made to a company which subsequently became a wholly-owned subsidiary, listed in other investments. That company is understood to be Connect; the accounts say that "there are no formal arrangements in force regarding payment or interest terms" on the loan.

Other Eagle subsidiaries in difficulty include MCP Building Supplies, where MCP contractors have been appointed, and Eagle Computers, a small company which worked for other Eagle subsidiaries which is being looked at by insolvency practitioners.

A former Eagle subsidiary called Landsaver, a company making hydroponic grass-growing machines, has been wound up under the Insolvency Act. Landsaver and MCP Building Supplies were two of the main businesses of MCP, a company owned by Mr John Ferriday and Mr Richard Smith, and one of the three companies that formed Eagle Trust in a merger in March 1987.

Landsaver was described in the merger's offer document as having Japanese orders worth £22m over the next four years. These orders did not materialise and the company plunged into financial difficulties - Eagle swapped it for 10 per cent of a racecourse development company in 1982.

Other companies linked with one or both of the MCP partners have had problems. Paramount Airways, a charter airline company, was placed in the hands of the administrators just days after control was

Continued on Page 22

Weekend FT



Huge anti-Russian demonstrations will be stirred in the Baltic states and Moldavia next week, marking the 50th anniversary of the Molotov-Ribbentrop Pact. Edward Mortimer describes how the Pact was seen at the time and why it is still such a sensitive issue. Page I

Finance: All you need to know about Personal Equity Plans. Page III

Diversions: Simon Vail continues his mountain-climbing exploits. Page XV

Rebecca Stephens reports on the attempt to scale the unclimbed north-east ridge of Everest. Page XVI

Plus: Just what does go on at an Acid House Party? Page XVIII

Survey: Two pages on courses and careers. Pages VIII-IX

Arts: The Edinburgh Festival: fringe round-up. Page XX

Property: The unlovely face of timeshare. Page X

BA ready to join battle against hostile bid for top US airline

By Roderick Oram in New York and Clay Harris in London

BRITISH AIRWAYS is seeking an involvement with UAL, the parent company of the eventual carrier, to reinforce its market relationship with the airline and to help UAL defeat a hostile takeover.

A minority share stake could cost BA about \$1.5bn (£91m), and put it in a powerful position to take a bigger role in UAL when, as widely expected in the aviation industry, the US rescinds its law limiting foreign ownership of US carriers to 25 per cent.

BA has hired Morgan Stanley as its adviser, but it is believed that the Wall Street investment bank is not yet planning to take a financial stake in any transaction itself.

Analysts believe BA would be more likely to take a stake in a management buy-out rather than participate in a counter-bid, particularly a hostile offer without approval of the UAL board.

In London, BA said: "Inevitably we would have an interest [in the future of United] but the degree of interest would depend on what the eventual offer was." It would not exclude on principle the possibility of taking an equity stake in United.

Although hot airlines declined otherwise to comment on a possible BA investment, UAL said it had been contacted by third parties besides Mr Marvin Davis, the Los Angeles investor who has made a \$6.2bn hostile offer.

Mr Davis appears to have less than 5 per cent of UAL's stock, judging by his failure to file a shareholding report with the US Securities and Exchange Commission.

Mr Stephen Wolf, UAL's chairman, and fellow board members are exploring ways to thwart Mr Davis - including a management buy-out with employee participation. United's pilots, who had tried to launch their own bid last year, have already said they want to join a buy-out.

United and BA have important trading links. BA paid \$113m last year for a 11.3 per cent stake in Covia, UAL's company reservation system subsidiary. BA and Covia together own more than half of Galileo, a European reservations system.

A marketing agreement has increased the number of transfers between the two airlines. BA feeds passengers into United and the US carrier gets 30 per cent more from BA than before the alliance started in 1987.

BA also uses United's terminals in Chicago, Denver and Seattle, while the US carrier is due to move into BA's terminal at New York's Kennedy airport late next year. KLM, the Dutch airline, recently took a stake of under 20 per cent in the buy-out of Northwest Airlines' parent, NWA, by Mr Al Checchi, a Los Angeles investor.

BA strikes, Page 22

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York 3-month: \$1.5655	New York 3-month: DM1.9573	FT-SE 100: 2,376.1 (+15.1)
London: \$1.5685 (1.5685)	London: SF1.887	FT Ordinary: 1,979 (+4)
DM3.023 (3.027)	London: Y142.75	FT-A All Share: 1,204.75 (+0.5%)
FFr10.325 (10.38)	London: DM1.5335 (1.5335)	FT-A long gilt yield: 12.9 (same)
SFr2.64 (2.645)	London: FF8.595 (8.6475)	Index high coupon: 0.29 (same)
Y22.5 (22.5)	SFr1.686 (1.687)	New York 3-month: DJ Ind. Av. 2,692.09 (+2.46)
S index 91 (same)	Y142.75 (143.55)	Tokyo close: Y143.52
GOLD	S index 71.4 (71.8)	US BOND YIELD
New York Comex Dec: \$373.9 (374.6)	US BOND YIELD	Fed Funds 5 1/4 %
London: \$367.75 (368.25)	RATES	3-mo Treasury Bill: 8.13%
N SEA OIL (Argon)		Long Bond: 9 1/2 % yield: 8.15%
Brent 15-day Sep: \$16.995 (17.075)		

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OVERSEAS NEWS

Japanese chip makers accept EC peace terms

By Robert Thomson in Tokyo

JAPANESE semiconductor makers have reluctantly signed agreements with the European Commission to set a minimum price for dynamic random access memory chips (DRAMs) thereby ending a long-running dumping dispute. Eleven chip producers have signed the five-year agreements and are awaiting final approval from the Commission, which is considered in Tokyo to be a mere formality given the Japanese makers believe the EC has won the concessions that it demanded. The agreement is likely to spark protests from European computer and electronic equipment manufacturers, who face the prospect of rising costs for these critical components. The individual agreements signed by the companies in the past week set a floor price at around 9 per cent above production cost of the DRAMs, and are a sign of the increased willingness of governments to manage the chip trade to avoid international friction. Under the broader 1988 US-Japan Semiconductor agreement, minimum prices were set according to production costs in individual Japanese countries. Under the EC agreements, the floor price will be the same for all manufacturers, and the pacts cover the popular 256k and 1 megabit chips, as well as the next generations of 4 and 16 megabit devices. The makers include NEC, estimated to have about 12 per cent of the EC chip market, Hitachi (9.9 per cent) and Toshiba (9.2 per cent), all of whom were among six compa-

nies named in an anti-dumping suit filed in March 1987. As well, five companies not cited by the EC, including Matsushita Electronics and Sanyo Electric, have signed agreements. Government officials in Tokyo estimate the overall Japanese share of the EC market at 47 per cent.

An official at one of the companies involved said that the agreement is "outside the free trade system because of the price controls." Therefore, "we have to think that it is not a good thing." But he said that the company "had to agree" if it was to end the anti-dumping threat.

Another official in the industry said, "We were not happy from the beginning of this problem, so you cannot say we are pleased with the agreement." The Japanese semiconductor industry, he said, "is only relieved that the problem is finished."

The EC has viewed this pact as quite different in nature to the US-Japan agreement, in that while the individual agreements are technically a bilateral pact, they are more limited in scope.

Japanese chip producers said the floor prices are based on the Fair Market Value (FMV) system used in the US agreement, though present market prices are above the levels of 1986, when the industry was in recession.

The US-Japan agreement was challenged by the EC through the General Agreement on Tariffs and Trade. But the legality of the new EC agreement may also be met by a call for GATT action.

China fears prompt fall in HK stocks

By Michael Marray in Hong Kong

THE Hong Kong stock market yesterday once again showed its acute sensitivity to political uncertainty in China, as share prices fell sharply after reports that China's Defence Minister, Qin Jiwei, had been led away by troops loyal to President Yang Shangkun.

The Hang Seng index fell by over 100 points in early trading, with nerves stretched by the prospect of yet more instability within the Chinese leadership as the power struggle continues in the wake of the June 4 military crackdown.

China's Defence Ministry denied a Western news agency report that Defence Minister Qin Jiwei had been arrested. "It's pure rumour-mongering," a ministry official said. Qin was not under arrest, added the official, who gave her name only as LI. As reports came through later in the morning of the official denial, investors bought back into the market.

The agency had said in a report from Hong Kong that Qin was seized at his Peking residence on Wednesday evening as a result of a struggle with Yang for control of Chi-

na's military. Officials in Peking have moved to dampen Hong Kong's hopes of a radical speeding-up of the development of democracy in the territory, telling a visiting consultative committee delegation that China does not envisage drastic revisions to the existing draft of the Basic Law in the crucial area of post-1997 political structures.

China also yesterday underlined its sensitivity on the Basic Law issue, launching an attack on Mr Barrie Wiggam, the Hong Kong Government's Secretary for General Duties, over a speech made earlier in the week.

In this, he mapped out areas of concern in the drafting process, including the future political system and the stationing of the People's Liberation Army in the territory. Mr Wiggam's speech was yesterday condemned by the New China News Agency as "gross interference" in the Basic Law - which it said was a matter for the Chinese Government in consultation with the people of Hong Kong.

Environment 'will be top 1990s issue in Sweden'

By Robert Taylor in Stockholm

THE struggle for a better environment is the most important issue Sweden faces, one taking priority over living standards in the 1990s, according to ruling Social Democratic party's proposed programme for the next decade published yesterday.

The document outlines what Europe's most successful labour movement regards as the vital questions for the 1990s.

It challenges the country's current energy policy, under which the government will phase out nuclear energy between the years 1995 and 2010. This will involve the closure of two out of Sweden's

12 nuclear power stations. It argues that the country's short-term energy policies contain incompatible objectives: curbs on carbon and sulphur dioxide emissions from alternative fuels as well as the use of hydro-electric power. This is expected to lead to slower economic growth, and higher inflation.

Mr Ingvar Carlsson, Sweden's Premier, yesterday backed his beleaguered environment minister, Ms Birgitta Dahl, by saying the current energy strategy would not be changed.

Such differences appear to presage conflict inside the Social Democrats.

The day communism surrendered power



The headline in Solidarity's daily newspaper, *Kiection Gazyeta*, reads "Our Prime Minister" next to a picture of Roman Catholic opposition intellectual *Taduzek Mazowiecki*, apparently set to become Poland's leader.

THURSDAY, August 17 may in future be seen as the day Polish communism finally renounced its hold on executive power - with incalculable consequences for its sister parties across the world, writes John Lloyd in Warsaw. That is certainly how it is seen by the Solidarity leadership, and that perspective gave the front page editorial in yesterday's *Solidarity* daily, *Gazeta Wyborcza*, a particular resonance. The editorial, most of which is reproduced below, was written by the editor, Ernest Skalski:

"It seems almost certain that in this (coalition) government, the Polish United Workers Party (communist) will handle the ministries of defence and the interior. Perhaps others, it is a result of the opposition's understanding and willingness to compromise."

"In the original proposal Lech Walesa expressed readiness to form the whole government by Solidarity. In the second version he wanted to create a government with United Peasant Party, and Democratic Party without the communists."

"Now we finally agree to a grand coalition, but without giving up our basic, fundamental philosophy. The leading force in this government will not be the PUWP - from

today this role will be taken over by Solidarity."

"What for many days seemed an impossible political fantasy for Walesa turned out to be a perfectly conducted political manoeuvre."

"As proof that this day is more than just the re-arrangement of forces in politics, we can point to the result of the vote in the Sejm (Parliament) - a vote condemning the intervention in Czechoslovakia of 21 years ago. Practically all the members of the party bearing historic responsibility for participation of Poles in this action voted for the statement. A similar statement from Hungary brings a new quality into

relationships of countries which can no longer be called the communist bloc. "Such breakthroughs begin more than they end. The closing of a certain historical period is less important than the shape of the one which is about to be opened. It is important that what Lech Walesa called a few days ago the "deep reform" will now take place. At present there are great opportunities that it will be a beginning of a fundamental change of the political system and only under such conditions does this historical undertaking make sense. (Translation: Nizna, Kowalczuk)

Conservative neighbours cling to old attitudes

By Our Foreign Staff

AS Poland's first non-communist government in 40 years prepared yesterday to take power, its conservative neighbours again expressed support for the Soviet-led invasion of Czechoslovakia 21 years ago on Monday.

The invasion, which crushed the Prague Spring reform movement led by Mr Alexander Dubcek, then leader of the Czechoslovak communist party, has been condemned by both the Hungarian and Polish sejm (Parliament) which met

on Thursday. But as Hungary and Poland forge ahead with political change, Czechoslovakia yesterday looked to East Germany as one of its few remaining allies.

"Socialism was jointly defended and a change in the political and military balance of power in favour of imperialism was thwarted," *Neues Deutschland*, the East German party paper yesterday commented.

The East German media has been particularly cautious about reporting on the extror-

inary changes taking place in Poland, fearing, as they did in August 1980, when Solidarity was founded, that it is only a matter of time before the reform process leads to growing discontent in those countries which have proved the most resistant to change.

For its part, the Czechoslovak media has repeatedly warned against what it termed anti-socialist demonstrations on Monday.

On August 12 last year, thousands of young Czechoslovaks took to the streets, demanding

greater freedom. And since then, despite the heavy use of force, the security situation deteriorated in January and again in May for democracy.

Many of the country's leading dissidents have been led to leave Prague over the next few days, while others have left voluntarily, fearing arrest or injury in any clashes with the police.

Meanwhile, it is understood that glasnost and openness have been ordered to close on Sunday in order to dissuade people from entering the city.

Speculation about early Spanish poll

By Peter Bruce in Madrid

SPECULATION is growing in Madrid that Mr Felipe Gonzalez, the Prime Minister, will call a snap election this autumn before his Socialist government imposes a tough monetary and fiscal regime to deal with an economic crisis.

The government does not have to hold national elections until June next year but the possibility that Mr Gonzalez would move early was heightened yesterday when his deputy, Mr Alfonso Guerra,

appeared to come out publicly in favour of an early poll.

Mr Guerra, in a radio interview to be broadcast today, said: "My impression is that everyone wants an election now. Everyone is prepared. If the president of the government [Mr Gonzalez] decided now to call an election then he would be alone." Mr Guerra is Mr Gonzalez's oldest and closest political associate.

He does, however, also have a dangerous sense of humour

and political analysts in Madrid yesterday were suggesting he may simply have been trying to panic the opposition parties.

Neither of the two main right-wing parties, the Partido Popular and the Centro Democratico y Social, are in any contention to fight an election. Both lost badly in the European Parliamentary elections last June. The PP does not have a candidate and the CDS is in the process of moving its policies further to the right.

Mr Gonzalez's instincts would be to wait out his full second term, but he is being pressed by certain ministers to call an election now before bringing in a budget for 1990 and before Spaniards pay their taxes in November. With consumer spending growing at more than 20 per cent, the deficit on the current account of the balance of payments likely to triple this year to \$11bn and inflation at 7.4 per cent, the budget is likely to be tough.

Hopes rise for end to Ethiopia's 28-year 'unwinnable' war

By Julian Ozanne in Nairobi

TALKS due to open next month in the US will bring together two of the most obstinate foes in Africa's long catalogue of civil wars - the Ethiopian government and the separatist Eritrean rebels - in what could mark the most positive step yet towards peace in the war-torn Horn of Africa.

The announcement this week by Mr Jimmy Carter, former US President, who will act as intermediary in the talks on September 7 in Atlanta, comes in the wake of increasing international pressure on the military regime of President Mengistu Haile Mariam, and a recognition by both sides that after 28 years of conflict, the war is unwinnable.

The Ethiopian government has good reason to sue for peace. Military setbacks and a failed coup d'etat this year weakened the regime and exposed widespread opposition in the army to the conscription of teenagers which has fuelled the military machine.

The Soviet Union, Ethiopia's main backer, has made it clear it is no longer prepared to bail out its satellite regime with multi-million-dollar injections of military hardware.



Jimmy Carter, intermediary

The rebel Eritrean People's Liberation Front (EPLF) realises the war has ground to a stalemate, with 160,000 Ethiopian troops holed up in well-fortified garrison towns in Eritrea. And, after 28 years, the Eritrean people are among Africa's poorest.

If successful, the talks could put Ethiopia, one of the world's least developed countries, on the path of economic progress. The war consumes 50 per cent of the country's budget, and has stunted industrial and agricultural development.

Peace in Ethiopia could have a knock-on effect on the civil war in Sudan, as both rebel groups rely for their lines of supply on the neighbouring countries. It could pave the way for a lessening of superpower tension in the region, allowing Moscow and Washington to reduce support for Ethiopia and Somalia. But there are huge obstacles to overcome first. The EPLF have consistently called for a referendum on Eritrea's relationship with the central government in Addis Ababa. Few doubt this would result in a vote for independence, unacceptable to a government which insists on the territorial integrity of the country. The government has offered Eritrea autonomy, a solution which falls far short of the EPLF's nationalist sentiments. Between these two bitterly divided positions lies the compromise of federalism, with Eritrea having substantial executive powers. To accept this would involve a significant climbdown by both sides. Mr Carter will need all the skills and experience drawn from the Camp David accord if he is to succeed.

Anti-apartheid crackdown in South Africa

By Patti Waldmeir in Johannesburg

THE South African authorities yesterday took steps to clamp down on anti-apartheid activists in the country, detaining the chief organiser of the current defiance campaign and banning a big anti-apartheid rally.

Police had shown restraint in dealing with protest activity in recent weeks, but yesterday's moves appeared to reflect a tougher line on opposition. An earlier incident in which police used horsewhips and buckshot to disperse strikers at a Johannesburg ply factory, also indicated a harsher response.

A factory spokesman said police charged a crowd of 450 workers after shop stewards became "agitated" in their discussions with management. "Shots were fired with shot-guns," police said. They said four people were injured, while the company put the figure at 17 or more. Some had buckshot wounds.

Further confrontation appeared possible following the arrest of Mr Mohammed Vally Moosa, acting general secretary of the United Democratic Front, an umbrella anti-apartheid organisation which this year has its activities restricted under the country's state of emergency.

Mr Vally was understood to have been arrested under emergency regulations introduced three years ago to crush black dissent. Mr Vally was the chief organiser of the anti-apartheid defiance campaign which has organised several protest actions in recent weeks.

Anti-apartheid groups in South Africa must in future disclose the source and purpose of all money they receive from abroad, Justice Minister Kobie Coetsee said yesterday. Reuter reports from Cape Town.

Arab nations' split on Lebanon deepens

By Andrew Gowers in London and George Graham in Paris

THE split in the Arab world over Lebanon deepened yesterday as fighting between Syrian forces and troops loyal to Major-General Michel Aoun, the Christian army commander, flared on a new front north of Beirut.

Meanwhile, France called for an emergency meeting of the 12 European Community nations to "put in place rapidly a humanitarian aid plan for Lebanon".

In Baghdad, President Saddam Hussein sought to enlist support from King Hussein of Jordan and Mr Yasir Arafat, the PLO leader, in his campaign against Syria's military presence in Lebanon. Mr Tariq Aziz, Iraqi Foreign Minister, wrote to the Arab League secretary-general accusing Syria of "threatening the existence of the Arab League" and of sabotaging the organisation's mediation efforts.

The Israeli leader's moves came amid reported attempts by the League's committee on Lebanon - comprising Saudi Arabia, Algeria and Morocco - to revive its diplomacy with proposals for a ceasefire and political reform. But increasing polarisation between Syria and other League members will make it harder to set up negotiations.

Prospects for a lasting truce were further dampened by the fresh tank and artillery battles at Madoun, on the front line between the Christian enclave and Syrian-held territory north of the Lebanese capital. France's request for an emergency EC meeting was another sign of its desire to maintain the flagging momentum of peace efforts, following the UN Security Council's ceasefire call this week. Senior EC officials are expected to meet on Monday in Paris to put the plan in place.

Mr Michel Rocard, French Prime Minister, hinted the French aircraft carrier and destroyer ordered to the eastern Mediterranean could be used to stop shellings during a humanitarian operation. "There can be no question of letting aid teams be bombarded," Mr Rocard said. "We will have to impose a localised and temporary silence on the guns while humanitarian operations are in progress."

The aircraft carrier *Foch* is due to set sail today, joining the destroyer *Duquesne* and two other naval vessels already in the zone.

Test for Gaza security cards comes tomorrow

By Tony Walker in Jerusalem

A TRICKLE of Arab workers travelled from the Gaza Strip into Israel yesterday, defying calls to stay at home in protest at the introduction of new security cards.

Israel had introduced the new system in an effort to tighten security inside its own borders. Arab men without plastic identity cards are not permitted to cross into Israel. At least 60,000 Arabs from the Gaza Strip travel regularly to Israel for work. Israeli authorities say about 80,000 identity cards have been issued in Gaza, the population of which totals 850,000.

Palestinian activists confiscated cards in a bid to enforce calls for an indefinite boycott of work in Israel. Conflict over the identity cards is the latest episode in a continuing tug-of-war between the authorities and the Palestinians.

Typical of the dilemma facing many impoverished Gaza Strip residents was that of Mahmud Abu Aziz, whose livelihood depends on him finding work in Israel itself. "We are caught in the middle," Mr Aziz said yesterday, before crossing into Israel. The real test of strength comes tomorrow - a normal working day in Israel after the Arab Friday and Jewish Saturday holidays. Some 25,000 people are expected to pass through the Israel-manned Erez checkpoint tomorrow. The Israelis insist the traffic yesterday was normal. "What you were able to see this morning was the normal flow to work, despite the recent call to the population to strike and refrain from leaving for Israel," Brig-Gen Zvi Peleg, army commander of the Gaza Strip, told Israel Radio.

The authorities said they had arrested three masked Gaza youths suspected of trying to block Arab workers from travelling to jobs in Israel.

The identification cards are issued only after a security check and payment of outstanding taxes and fines. People with criminal records known political activists are denied a card.

Arab workers in the West Bank have been asked to boycott their jobs in Israel for a week in solidarity with their Gaza counterparts.

Sialkot's craftsmen have the football business all sewn up

When World Cup champions score their goals in the West, this is where the ball comes from, Christina Lamb reports

I N almost every house in the otherwise unremarkable town of Sialkot, people are busy stitching footballs. When Diego Maradona scored the winning goal against England in the 1986 World Cup, clinching Argentina to go on and clinch the title, this is where the ball came from.

Sialkot is one of the world's biggest producers of top-class footballs and the single largest exporter of footballs to Europe. Some 25m footballs are exported every year, stamped with the leading brand names in the sports world. Adidas, Puma, Mitre and Select all import their footballs from Sialkot.

Although football is hardly played in Pakistan, the people of Sialkot have been making footballs for 100 years.

The industry began when a locally-stationed British officer sent a football to a local leather craftsman to be repaired. After much experimenting, he succeeded in copying the ball and presented a prototype to the officer's unit. The making of laced leather footballs soon grew into a large cottage industry selling them to other parts of what was then British India.

In the 1970s, leading sports manufacturers such as Adidas realised the potential of Sialkot, with leather and skilled labour both available cheaply - and brought in their technology.

Although most of the world's footballs are now synthetic, they are still hand-stitched and thus exportable to make. Today, Sialkot footballs are used everywhere from Japan to the US and the industry



earns \$80m (£37.5m) in foreign exchange a year. Every day, fleets of Suzuki vans

filled with leather hexagons make deliveries to the 15,000 people involved in making footballs. The top stichers make two to three balls a day, earning Rs15-20 (65p) for each ball.

According to Mr Yunis Ratra, president of the Sialkot Chamber of Commerce and Industry, Sialkot has the highest per capita income in South Asia, averaging around \$75 per month - more than twice Pakistan's national average.

Reading skills are essential to ensure that the 32 hexagons comprising each football are put together properly, with the logo in the correct place, and Sialkot claims one of Pakistan's highest literacy rates, of above 35 per cent.

Mr Ratra claims that Sialkot, with more than 700 sports goods factories,

is Pakistan's second biggest foreign exchange earner after Karachi, but the town shows few signs of it.

Ratra aims turn the roads to muddy tracks, there are no decent hotels, and Mr Ratra complains that delegations from the numerous international companies now linked with local ones cannot believe it when they arrive.

Mr Amin Javed is the director of Sublime, one of the biggest football factories, exporting to Europe, the US and Japan. In the 1970s he began selling 100,000 footballs to West Germany, and in 1975 won an agreement with Adidas, which brought designs and technology to make sure his footballs were of the right quality. It was followed by Moita of Japan. Mr Javed now exports more than

400,000 footballs. He is so committed to the game that even his factory mosque is shaped like a ball.

Sublime is one of two factories in Sialkot producing footballs for Adidas. Mr Javed's team is now perfecting the Tango and Comco models, which will be stitched by women in Sialkot, to be used in the 1990 World Cup in Italy.

A huge pile of bright pink footballs stamped with the Sublime logo is gathering dust in the corner of the factory as workers busily pack the new Adidas models for shipping. Mr Javed explains: "They are exactly the same ball but the first sell a few thousand, and the second hundreds of thousands. No one will buy our balls but when we add the Adidas logo, they sell like hot cakes."

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UK NEWS

Canadian group plans recycled newsprint plant

By James Buxton, Scottish Correspondent

ABITIBI-PRICE, the Canadian paper manufacturer, hopes shortly to go ahead with constructing a large newsprint plant at Gartoch, near Glasgow, which will use recycled newsprint as its main raw material.

Yesterday Abitibi-Price said it had reached agreement giving it exclusive rights to take over the project from North British Newsprint, a Scottish company which had developed the scheme.

The Canadian company plans to make newsprint for the UK market at Gartoch, and wants to complete negotiations with "several potential partners" in the next two months. These partners, who would take equity in the project, are thought to include UK newspaper publishers with Canadian connections.

Abitibi said that going ahead with the scheme also depended on obtaining UK government assistance, getting final regulatory approvals, finalising the finance for the project and securing the approval of the boards of both Abitibi and North British Newsprint.

The project, which will cost £150m, is to instal a mill with an annual capacity of 295,000 tonnes of newsprint a year. It should directly employ 240 workers and a further 100 in waste paper collection.

Construction, which will take about two years, should begin some months after final agreement is reached and the plant should be on stream early in 1992, Abitibi says.

The factory will be one of the largest newsprint plants in the world, designed from scratch to consume recycled waste paper. It represents Abitibi's first venture in manufacturing in Europe, although the company - the second biggest newsprint producer in the world - is already an important supplier in the UK.

Mr John Macdonald, executive vice-president, said: "This exciting project will help us further our position in the UK, one of the world's most important newspaper markets."

There is speculation that Abitibi's potential partners in the venture include the Thomson Organisation and Hollin-

Growth in money supply slackens

By Peter Norman, Economics Correspondent

THE TWO main measures of UK money supply grew more slowly in July, adding to the credibility of other indicators that showed the economy to be slowing down.

M0, the narrow money supply measure consisting almost entirely of notes and coins in circulation, grew by a seasonally-adjusted 0.3 per cent last month and by 5.3 per cent compared with July 1988, according to provisional figures from the Bank of England. This compared with seasonally adjusted increases of 0.7 per cent and 5.9 per cent in June. The unadjusted increase between June and July was 1.9 per cent.

M4, which includes bank and building society deposits, increased by a seasonally-adjusted 0.6 per cent in July and by 17.1 per cent compared with July last year. In June, the seasonally-adjusted increases for M4 were 2.4 per cent and 12.9 per cent respectively. The unadjusted increase between June and July was 0.9 per cent.

The Bank disclosed that bank and building society lending grew by a seasonally-adjusted 28.9bn in July, compared with 27bn in June and a £7bn monthly average over the previous six months. The lending increase was, however, higher than the £5.5bn average of City forecasts.

With the latest figures, growth of M0 has fallen to its lowest annual rate since February 1988 and has come close to the Government's target range of 1 per cent to 5 per cent growth for the current financial year.

However, a sharp 9.5 per cent increase in the seasonally-adjusted annual rate of M0 during the three months to July suggests that the period of decelerating growth rates may be coming to an end. Bank officials could offer no explanation for this increase in the three-month figure, noting only that this series is erratic and as recently as March was indicating a contraction in the supply of narrow money.

A separate statement from the Committee of London and Scottish Bankers yesterday showed that the clearing balance leading to the private sector in Britain increased by a seasonally-adjusted £2bn in July compared with £1.9bn in June.

The CLSB said the bulk of the lending continued to be to companies and may have reflected corporate tax paying. Personal borrowing was weak. Lending by the banks for house purchase increased by an unadjusted £215m to show the lowest monthly rise since data was first published in October 1986.

Growth in lending for private consumption also fell to an unadjusted 242m.

Lloyds 'close to resolution' of Abbey National share claims

By David Baruchard

LLOYDS BANK said yesterday that it is close to resolving all outstanding claims surrounding the Abbey National share issue.

It also promised to pay compensation to Abbey National shareholders who received their certificates late. The compensation will include interest on returned cheques and cover costs on funds borrowed temporarily to buy the shares, as well as out of pocket expenses on telephone calls and letters.

Abbey National has also agreed to open special accounts backdated to July 12 for some missing refund cheques. More than 460,000 replacement share certificates have so far been mailed to Abbey National shareholders who should have received them on about July 12.

Mr Alan Moore, Lloyds director of corporate banking and Treasury, said yesterday that 500,000 out of a total mailing of 4.3m share certificates and related documents had gone astray. Some of the missing certificates are believed to have been turned in two skips outside the premises of



Alan Moore: very much regrets what has happened

and resolve the problem." He said that Lloyds Bank would await the outcome of the police inquiry into the burning of the certificates.

Lloyds has not responded to a request from Business Mailing Services to publish an apology for statements about the burning of the share certificates. Solicitors acting for Business Mail Services have also served writs on various national newspapers, alleging defamation. The Financial Times has received a writ relating to an advertisement.

Mr Moore defended two teams of investigators from Lloyds Banks who tried between July 16 and July 28 to discover where the missing certificates had gone.

The Post Office said yesterday it was satisfied that its system of issuing docketts and sample - checking that mail had actually been received was satisfactory.

It said: "We have handled several major flotations in the past with no problems. We will have to await the outcome of the police investigation for more information."

ERF cuts production and 65 jobs ahead of truck market downturn

By John Griffiths

ERF, the independent truck maker, is cutting production and shedding 65 of its 1,100 workers in response to early signs that the UK truck market is approaching a downturn.

Mr Cyril Acton, managing director of the Coventry-based company, described ERF's move as "no great shakes - it's a slight adjustment to take account of a downturn for which we had budgeted at the start of the year and have been preparing for since March."

ERF was brought to the brink of bankruptcy by the world truck market recession at the start of the 1980s, when its workforce was halved to 600 and production was reduced.

Since then, Mr Peter Foden, ERF's chairman, has concen-

trated on creating an operating structure able to make rapid adjustments to reduce overheads in the event of adverse market change.

ERF appears to be the first UK-based truck maker to take such corrective action, even though its share of UK truck sales is continuing to rise.

ERF's 2,568 sales in the first seven months of this year represented a rise of 26.76 per cent over the same period last year, whereas the market overall rose by only 9.78 per cent.

Its sales in July were also up, to 237 from 189 in the same month a year ago. However it was the 3.5 per cent drop in the total July market, plus a discernible falling-off in orders, which prompted the cuts.

Further evidence of a commercial vehicles downturn came with the recent publication of provisional production statistics from the Central Statistical Office which reported a sharp seasonally-adjusted drop to 18,300 in the number of commercial vehicles produced in July, from 29,000 in July last year.

Taking the latest six-month period as a whole, commercial vehicle output was down 11 per cent on the previous six months.

Car production is continuing to rise sharply, however.

Output in July, at 123,000 units, was 16 per cent higher than in July last year and 7 per cent higher in the most recent six-month period compared with the previous six months.

C&G and Bedford societies to merge

By David Baruchard

CHELTONHAM & Gloucester, the eighth largest holding society with assets of £6bn, is to absorb Bedford Building Society in a merger. Bedford is a one-branch society with assets of only £48m and 9,500 investors.

The merger is the first to be announced since Abbey National's stock market flotation last month. It will be a test case for the industry where mergers have been common until recently and have gone through without opposition from members.

Mr Gary Payne, the chief executive of Bedford, said yesterday: "We are a local lender with a strong emphasis on quality lending, and over the last five years we have lost six of our main sources of mortgage business such as estate agents."

"Building societies can be acquired by commercial companies, but I would not have thought that we were of sufficient size to appeal to any," he added.

Though members of a smaller society gain some advantages from joining a larger society, such as a better interest rate, these are insignificant compared with the cash hand-outs they would get if their society was de-merged and taken over by a company.

The Abbey flotation vote indicated that the steep voting requirements for this - 50 per cent turnout and 75 per cent in favour - can be met easily. However, a members' revolt at Bedford looks unlikely because of its small size.

Kidder Peabody redundancies

By Richard Waters

THE London office of Kidder Peabody, the US investment bank, has cut the number of people involved in sales and trading support by 17, reflecting the growing automation of such functions.

Mr Brian Kimball, head of administration, said: "Kidder, which was not cutting back any of its trading operations, had invested millions of pounds in technology to enhance its support operations."

The company has also announced the closing of its London office and the relocation of its operations to New York.

Machine tool makers calm as Japan's import restraint ends

By Kevin Brown, Transport Correspondent



Alan Clark: "under pressure"

THE ABOLITION of a voluntary restraint arrangement limiting imports of machine tools from Japan is not expected to cause immediate problems for UK manufacturers of machine tools.

Mr Alan Clark, the former Trade Minister, said the Machine Tools Technology Association said yesterday.

The arrangement, which covered numerical controlled lathes and machining centres, was negotiated several years ago by the association and the Japan Machine Tool Builders' Association to offer protection from imports to the UK industry.

However, the UK Government signalled its desire for the abolition of the agreement in April when Mr Alan Clark, the former Trade Minister, told parliament there was no justification for it to continue.

Mr Clark's statement followed pressure from importers who claimed the UK industry was now strong enough to compete with

Wool textile exports expected to slow after first half peak

By Alice Rawsthorn

THE WOOL textile industry has become increasingly important as a way of countering the depressed state of the domestic market.

The industry has enjoyed buoyant exports in recent years, in spite of the strength of sterling. The mills of Yorkshire and the Borders have found it more difficult to sell to the US, where the problem of the strong pound has been compounded by the weakness of the dollar.

The European market has remained resilient and sales to Japan have risen rapidly. The Japanese are attracted to the traditional cachet of British cloth. The exclusive worsted weaving mills in Rutherfordshire have found a lucrative new market for selling luxurious clothing to Japan and corporate gifts. The most elaborate cloths even display the mill's name in real gold thread.

Mr John Ward, director of the NWTTC, said every area of the industry, except spinning, had experienced an increase in exports during the first half of the year. But he expected the overall rate of export growth to slow down in the closing months of the year because of changes in currency and higher interest rates.

As a result overseas sales

Inner city group expands with £8.7m rights issue

By Hazel Duffy

INNER City Enterprises, which was set up by the financial institutions in 1983 to invest in inner-city renewal projects, has expanded its equity base by £8.7m with a rights issue to its 61 shareholders.

The issue has been fully underwritten by seven shareholders, the Church Commissioners, Kleinwort Benson, Norwich Union, Pearl Assurance, Provident Mutual, Prudential Assurance and Scottish Life.

ICE is an unlisted public company. It was set up after Mr Michael Heseltine, then the Environment Secretary, formed the Financial Institutions Group to stimulate private sector involvement in the inner cities. Its aim was to show that property development in these areas could earn a return for shareholders.

The rights issue was made possible partly by the successful outcome of ICE's interest in London Industrial, which was set up to retain and manage part of the former Greater London Council's industrial estates. The nominal investment two years ago is worth £7.5m.

ICE said: "Now we have the resources to mount the much larger development programme the Financial Institutions Group had in mind for ICE. In particular, we shall be expanding our partnership ventures with local authorities."

Bank will buy back gilts in the autumn

THE BANK of England said last night that its next "reverse auction" to buy back gilt-edged government securities was likely to be held in late September or early October, writes Peter Norman.

A further reverse auction may be held in the new year.

Hopes fading fast of a profitable carnival

Joel Kibazo looks at attempts to improve the management of the Notting Hill event

JUST A WEEK before this year's Notting Hill Carnival staged every August bank holiday, the new organisers' hope of making the event a commercial success for the first time in its 30-year history are fading fast.

The festival, which last year attracted over 1m people from all over the world to see floats, steel bands and colourful costume displays, has in the past been marred by street crimes and violence, including a murder two years ago.

Heavier policing last year reduced the number of crimes reported at the event to 27, compared with the 284 crimes reported in 1987. However, this success has not been reflected in the festival's management.

For 12 years, the event was organised by the board of the Carnival Arts Committee. By last year's carnival, the organisation was racked by internal feuding, had debts of almost £20,000 and assets of only £2,000. The report of an investigation by the fraud squad is now being prepared for submission to the Director of Public Prosecutions.

A 1988 report into management of the carnival by Coopers & Lybrand, the manage-

ment consultancy group, which was commissioned by members of the CAC, said: "Few of those involved seem aware of the magnitude of the planning, management, financial, logistic, safety, and security tasks involved in the carnival."

Among the report's recommendations was that a board with wider membership and skills be appointed and a better budgeting system be devised.

Last April, Mrs Claire Holder, a hairdresser who in March had been elected chairman of the CAC, persuaded members to liquidate the body she headed and form in its place the Carnival Enterprise Committee (CEC) to run this year's carnival, along the lines recommended in the report.

Mrs Holder said: "My goal is to make the carnival an efficiently managed all-year-round industry, particularly by taking advantage of the possible spin-offs from it. We simply can't go back to the old ways."

A new nine-member board of people with various professional skills was quickly put in place, an accountant employed to introduce a system of financial control and accountability and the price of licences to

GRANVILLE SPONSORED SECURITIES						
High Low	Company	Price	Change	div (p)	% YTD	P/E
341 295	Asst. Brit. Ind. Ordinary	341	0	10.3	3.0	9.2
38 28	Armitage and Rhodes	30	+1	0	4.1	11.1
47 42	SBS Depts Group (US\$)	45	0	2.1	4.1	34.9
210 149	Bardco Group Co. Prof. (SE)	202	0	4.3	2.1	34.9
124 105	Bardco Group Co. Prof. (SE)	124	0	5.7	5.4	-
123 94	Bay Technologies	94	0	9.9	5.3	8.3
110 105	Bremhill Gov. Prof.	105	0	11.0	10.0	-
104 100	Bremhill 5 1/2% New C.C.R.P.	104	0	11.0	10.6	-
205 205	CCI Group Ordinary	204	0	14.7	5.1	3.6
176 145	CCI Group 12 1/2% Conv. Pref.	171	0	14.7	9.6	-
220 140	Carbo Pte (SE)	220	0	7.6	5.5	12.9
110 109	Carbo 7 1/2% Pref (SE)	110	0	10.3	9.4	-
7.5 4.25	Magnet GP Non-Voting 8 Conv.	4.25	0	-	-	-
3 2.25	Magnet Non-Voting 8 Conv.	2.25	0	-	-	-
130 119	Isa Group	130	+1	8.0	6.2	7.4
145 88	Jackson Group (SE)	117	0	3.6	3.0	13.6
322 261	McMillan NW (SE)	305	0	10.0	6.7	5.5
150 48	Robert Jencks	150	0	10.0	6.7	5.5
467 403	Scruttons	465	0	18.7	4.0	12.4
290 270	Terley & Cowell	289	0	9.3	3.2	10.1
117 100	Terley & Cowell Conv. Pref.	114	0	10.7	9.4	-
122 92	Trevian Holdings (US\$)	100	0	2.7	2.7	10.8
134 106	United Europe Conv. Pref.	134	0	9.3	6.9	-
395 35	Vestuary Drug Co. Ltd.	390	0	22.0	5.6	9.4
370 327	W.S. Yeater	338	-2	18.2	9.9	2.2

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UK NEWS - RETAIL SALES

Last doubts vanish about strength of squeeze

WHEN HARRODS, one of London's priciest stores, starts scrambling for customers' small change, any last doubts over the effectiveness of the Chancellor's squeeze must vanish. The strain started to show last weekend, when the Knightsbridge monolith showed 15 senior executives the door. By Thursday, it was trying to pull in the masses with full-page newspaper advertisements promoting cheap Batman ephemera. This has been an eventful week for companies dependent on consumer markets, with several pointers to shrinking consumer spending. The effects of the squeeze were confirmed by Monday's official figures for July, showing retail sales volume 0.6 per cent less than in June.

A long period of rapid growth in retail sales has come to an end. In the last four years, volume has grown by almost 6 per cent a year, but figures this week showed that sales were virtually no higher in July than a year ago. FT writers examine the implications of the new trading climate for shops and manufacturers. Reports by Paul Chesseright, Christopher Parkes, Alice Rawsthorn and Maggie Urry

In the trade's forecasts for August, which were the most pessimistic since the survey began in 1983. In the past few days, MFI and Lowndes Queensway, the leading furniture retailers, have both undergone difficult refinancing operations forced on them by trading conditions which strained their capacity to service their debts. Savage Group, a prominent distributor of Do-it-Yourself products, warned of profits for the year just ended "only slightly higher" than the previous 12 months and feared the sluggishness would continue. There is more bad news to come. Redundancies are expected next week in the domestic appliances industry, where vol-

ume sales are down by at least 10 per cent and profits by as much as 20 per cent. None of the leading appliance companies contacted this week expected any improvement for at least 12 months, although a good old-fashioned British winter might do something for heater sales. While the summer continues, however, electric fires and winter fashions are still far from people's minds. While the squeeze goes on, people are increasingly likely to put up with last year's overcoat and allow their old washing machine to wobble on for yet another season. The appliances industry is peculiarly sensitive to changes in the economic climate. It was

the first to feel the pressure after the first of the current series of interest rate increases in June last year. Sales started falling off after about three months, and lay-offs and short-time working started around Christmas. Furniture and carpet sales were next to be hit. Spring sales failed to materialise when the traditional peak selling season coincided with increases in mortgage repayments and confirmation that the housing market was in recession. Until recently, most of the pain was felt in markets for high-priced consumer goods in areas of high home ownership, where rising mortgage repayments were most sharply felt. Latest figures, for example, from the electricity boards show last year's turnover and operating profits from appliance sales and service down 3 per cent and 63 per cent respectively. In London, in the north-west, meanwhile, sales were up 8.5 per cent and profits 22 per cent higher.

Shop rents continue to rise despite uncertainty

THE SQUEEZE may have taken the froth out of the retail property market, but there is no shortage of demand for shop space. Landlords' expectations have been reduced, vacant premises are not filled as effortlessly as they might have been two years ago and efforts to cut consumer spending have spread uncertainty in a market which had seen steady growth since 1983. However, industry indices show rents continuing to rise. Miller Parker, the chartered surveyor, recorded a 19.6 per cent increase in the year to May, based on evidence from the market place. The Investment Property Databank recorded a 16.8 per cent increase in the year to last June, based on the performance of institutional property portfolios. Evidence from the high street suggests some of the market's recent excesses have faded away. The Rack, for example, reports that it is less common now to pay a premium over the rent to obtain premises. In fashion boulevards such as South Molton Street in London's West End, there have been cases of leaseholders paying new tenants to take the premises. It was significant that when Whiteleys, arguably the most lavish retailing development in London, had a delayed opening last month, it still had owners ready to offer the premises at a discount to devote part of the building, not to shops, but to offices. It has become clear that the retailers are less likely to push rents upwards in their chase for space. Rather they appear to be consolidating, making some slow-down in the retail property market inevitable. Total returns to investors in retail property over the last 18 months have been less than for investors in offices or industrial property. The industry believes retail property returns will remain high. Present difficulties are seen as a blip on a growth chart stimulated by an extensive development programme to upgrade town centres and create out-of-town developments for a car-borne public.

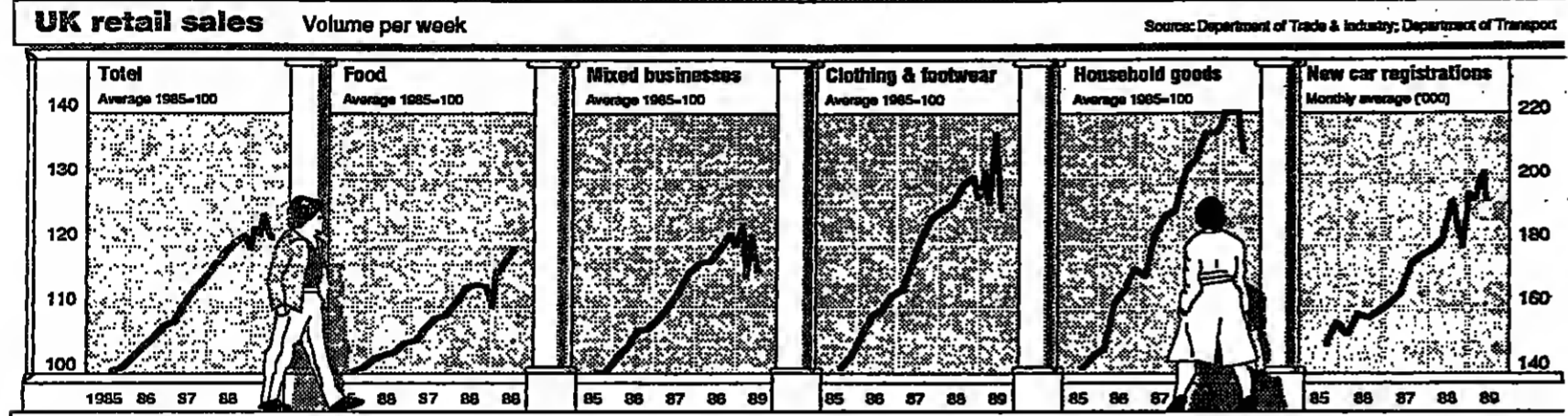
Hoover to shed jobs as shrinking demand hits the high street

HOOVER, one of Britain's leading appliance makers, is expected to announce a round of job losses and restructuring next week as it strives to cope with shrinking demand. Mr Tony Williamson, its managing director, said: "We are feeling the pinch, have reviewed the company structure, and will be taking the appropriate action." Like most of its UK competitors, the US-owned Hoover had enjoyed three or four good years, when volume sales increased, price increases held because trade was brisk, and capital was poured into new plants. But the tap was turned off late last year. The industry is struggling to persuade retailers to stock up and price reductions are common. One high street chain told Mr Williamson last week that it believed the market would not turn up again at least until the second half of next year. Italy's Merloni group, which rationalised its UK sales operations earlier this year by combining the management and marketing resources of its Indesit and Ariston brands, is equally gloomy. Mr John Malagodi, managing director of British operations, said the market in the south-east had been very depressed and now the north was turning down. His stocks were at a record low. He was also finding it difficult to persuade retailers to give the commitments to buy up to three months in advance - the time needed for appliances to be made and shipped out from Italy.

The only break in the clouds was offered by relatively strong sales and improving market share of his Indesit range, which includes some of the cheapest appliances. Mr Chris Tullett, the marketing director of Servis, confirmed that those shoppers actually buying were tending to trade down. However, mid-range models were worst affected. Servis had reduced the prices of a new range of machines, and was gaining market share. Sales of furniture and carpets slowed down after Easter, when interest rate increases filtered through to mortgage



Philip Green, authorised only essential expenditure



Realistic tone emerges ahead of more profit falls

THE SLOWDOWN in sales, combined with the inexorable rise in costs, is putting a raw, cracked-like squeeze on retailers' profit margins. The trade's characteristic optimism has been dented, and a more realistic tone is emerging. The handful of profit falls seen during the spring results season - from the likes of Next, Storehouse and Dixons - is expected to grow in the autumn round. Those worst affected are stores selling goods related to the housing market. People

tend to buy their new furniture and carpets, televisions and washing machines, wallpaper and paint; when they move house. The hope that people, if they did not move, would beautify their existing home instead has turned out to be a case of over-optimism. The trading difficulties at MFI Furniture and Lowndes Queensway show how badly things can go wrong. Marks and Spencer admits that its own furniture sales have turned down. Figures from the John Lewis department stores

show that it too is suffering. Do-it-yourself stores are under similar pressure. Floor-to-ceiling is breaking out to the extent that B&Q, the market leader, is placing advertisements listing its own and its rivals' prices on a range of items... naturally B&Q prices are the lowest. Among electrical goods retailers, sales of white goods are sharply down, and brown goods are falling poorly. Only video camcorders are showing strong gains as the new product begins to fall in price. Pho-

tophographic businesses are also doing well. That may have something to do with the hot weather, which many of the big-ticket item retailers have seen as the last straw. "Who wants to go shopping in a store without air-conditioning?" asks one. The summer weather encourages barbecues and picnics and has helped to keep food retailers cheerful. The weather has been a boon as well to those selling T-shirts, Bermuda shorts, and training shoes. Some women's fashion

shops, such as Richards, are having a much better year than last. Menswear and footwear sales are duller. A man's suit is regarded as a purchase which can be put off for much longer than a woman's dress, and usually costs a great deal more. The retailers most immune are those selling low-price goods such as toiletries and magazines. Even some jewellery has become a low-price item, thanks largely to Mr Gerald Ratner, who can still report sales gains.

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EMPLOYMENT

Ford unions seek shift to skill-based wage system

UNION LEADERS of Ford's 32,500 manual workers yesterday presented the company with a radical plan to introduce a skill-based wage structure, which would match systems in operation at single-union plants on greenfield sites. The proposals amount to an explicit recognition by the unions that there will be continuous changes to working practices and production technology. It is relatively rare for manual unions to take the initiative in negotiating new pay systems by presenting their own detailed proposals for changes. The unions want the company to make a commitment, during forthcoming wage negotiations, to introduce a revised wage structure within the next two years. A paper, which the unions yesterday presented to a working party set up to overhaul the Ford manual workers' pay structure, acknowledges that

further changes to work organisation are inevitable. Rather than attempt to resist changes to working practices, the unions' plan sets out a pay structure which would facilitate greater flexibility. However, in return, many manual workers would receive substantial pay increases by being regraded. There would also be a much clearer link between extra flexibility and higher pay. The demand for a revised pay structure has been stimulated by the introduction of wide-ranging changes to working practices over the last four years. This has created two main grievances, according to the union paper. Skilled workers who have undertaken significant retraining to operate computer-controlled machinery and production line workers who have become more versatile, have not been adequately rewarded because the current five grade pay structure is not designed to reward flexibility,

the union states. The paper says the best solution would be a simple two-grade structure, similar to the one in operation at Nissan's single-union plant in Washington, Tyne and Wear. However, it says this would be too radical for both the company and the workforce. Instead it suggests a three grade structure for skilled, medium skilled and production line workers. There would be two incremental steps within each pay band to reward people who have trained to become more flexible. This would require an extensive skills audit of the workforce to credit workers for skills they have already acquired, as well as a clear link between future training and pay. The system would extend union influence into negotiations about training because all disputes about regrading would automatically become disputes about the availability of training.

Union showdown with the new-look BA

Jimmy Burns examines the background to the dispute that halted short-haul flights

IT has not been a good summer for industrial relations in the British transport sector. After disputes at British Rail and London Underground, it was air commuters who yesterday felt the effects of disruption, with a 24-hour strike by British Airways short-haul cabin staff on domestic and European flights. The strike by members of the Transport and General Workers Union was called in support of an air stewardess who was dismissed for irregular drink sales. It is alleged that the stewardess pocketed the proceeds from selling drinks to economy class passengers which are free in club class. But the strike represents much more than that. It is a clash between the new British Airways corporate culture of human-resource management and customer service, and the TGWU's traditional culture of class solidarity. The dispute will test the credibility of both the company and the union. The company believes that in the last few years it has transformed the role of cabin staff to fit the highly professional face of the company. It has attempted to incorporate cabin staff into a new corporate image of providing better customer service. The strike may cast some doubt on how successful it has been. It is an equally sharp test for the troubled union. Cabin staff are among the most professional, upwardly mobile members of a union mainly made up of semi-skilled workers in traditional manufacturing industries and the public sector.



Queues of passengers at Heathrow yesterday waiting for news of their BA flights

was started by a relatively minor incident, its backdrop is the unease felt by some cabin staff with the radical organisational changes which have come in the wake of privatisation of British Airways. The service that cabin staff offer to BA customers has been identified by senior management as a key element in the commercial corporate image promoted over the last three years by Lord King, BA's chairman, and his chief executive, Sir Colin Marshall. Cabin staff are the most visible part of BA. The company has invested a good deal in building a reputation for professional customer service. New uniforms, a profit-sharing scheme, and extensive customer-service training have boosted morale since the layoffs of the early 1980s and shown customers that the com-

pany was changing direction. The company has an award-winning training programme in its Putting People First campaign. One of the most recent courses breaks down the skills of customer service into 14 core competences. These range from personal presentation to a module on the economics and politics of the airline industry. British Airways says such initiatives are as much about individual self-development and allowing employees to take charge of their careers, as commercial survival in a highly competitive industry. The TGWU is far from convinced. It says that morale is at a low ebb because the new corporate culture puts staff under pressure from line managers fixated on tight performance targets, especially on commuter shuttles.

Each claims to have the loyalty of cabin staff following a strike ballot earlier this month. A majority of those voting supported action, but that was only a third of the 3,127 staff. For a company which prides itself on having broken decisively with the tendency towards industrial unrest of the public sector, any industrial disruption will be unwelcome. Although the company ran about half its European flights as normal, all UK shuttle services were cancelled. The union will see the support for the strike as evidence of the strength of collective organisation. Although TGWU officials will meet cabin staff this weekend to discuss possible further action, it will not want to push industrial action too far, for Cabin Crew '89 is waiting in the wings to pick up members disaffected by unsuccessful militancy. BA strongly refutes allegations made by union officials that it using the incident to provoke a confrontation as part of a strategy aimed at de-recognition of the TGWU in favour of Cabin Crew '89, which has modelled itself as a union designed for the more professional cabin crew of the 1980s. Cabin Crew '89 kept out of yesterday's strike. Although it has some members on short-haul flights, most of its membership is concentrated on the company's long-haul routes. BA has always insisted that there is room within the company for both unions. But the latest strike may have severely strained such an even-handed approach.

Government to spend £210m on teacher training

By David Thomas, Education Correspondent

THE Government yesterday allocated more than £210m to train the teaching force to introduce its educational reforms next year. The largest slice of the funds, £51m in total, will be used to prepare teachers for the new national curriculum. A further £16m is earmarked to train teachers for the introduction of teacher appraisal, while £8m is to be spent on improving the management training of heads and other senior teachers. The sums were disclosed in a circular from the Education Department to education authorities giving provisional funding allocations for teacher training for 1990-91. The Government has approved overall spending of £214.7m on in-service training. National priority training areas, which are named by the Government, will receive £12.3m. Local training priorities, chosen by each education authority, will receive £92.4m.

W Midlands jobless total 'could be cut'

By Charles Leadbeater

THERE IS further scope for significant reductions in unemployment in the West Midlands, according to a Government survey published yesterday which found that there were 49,000 unfilled vacancies and 129,000 unemployed people claiming social security benefits. The Department of Employment said the report confirmed the findings of a similar report on the London labour market last summer, which said many vacancies could be filled by the long-term unemployed. The West Midlands survey, which covered Birmingham, Coventry, Dudley and Snadwell and Wolverhampton, found about 10,000 of the vacancies were for professional and managerial posts. Many were in areas where many of the unemployed had previously worked. Twenty-two per cent were for clerical posts, 15 per cent in retail, catering and personal services, 22 per cent for skilled

manual work and 18 per cent for manual work. The survey found that 76 per cent of the longer-term unemployed had either been in skilled, semi-skilled or unskilled manual work. The report says the unemployed faced a series of barriers preventing them from returning to work, including negative attitudes among employers and the need for retraining. One of the most important barriers was a tradition of short journeys to work, within tightly defined local labour markets within the West Midlands contribution as a whole. Less than half the unemployed said they would be willing to travel more than 30 minutes to work. Most unemployed people had realistic expectations of what wage level they would be prepared to accept, although about 12 per cent, had not looked for work during the previous four weeks.

Travellers' Fare offers £60 bounties to attract recruits

By John Gapper, Labour Correspondent

TRAVELLERS' FARE, the railway station catering company, is offering bounties of £60 to workers who attract new recruits as part of an attempt to combat increasingly severe problems in recruiting and keeping staff. Travellers' Fare, which was sold by British Rail to its management in December 1988, is now suffering labour turnover of 139 per cent. In some areas of the country, it has risen to between 300 and 400 per cent. The company, which increased pay rates for manual

staff between 5 and 25 per cent in April, is finding it difficult to attract enough candidates by traditional recruitment means and has revised its recruitment strategy. It has also started giving unit managers at its 150 outlets "turnover targets" to ensure they put a high priority on reducing loss of workers. Managers of the company's five brands will have discretion to link these targets to pay. Tightening of the labour market means the company now expects to get only five

replies to a local newspaper advertisement for staff. In 1987, it expected an average of 150 applications from candidates whom it interviewed in groups. Before embarking on its recruitment campaign, reported by the employment research group Industrial Relations Services, the company calculated that its recruitment costs were running at £3m a year - or £500 per recruit. A series of reports on areas of recruitment difficulty have been prepared by a newly-ap-

pointed national recruitment manager. They include one on Bath which found that only three of nine full-time vacancies were filled. A big obstacle faced by the company to recruiting new workers is the loss of cheap travel on the British Rail network - worth between £2,000 and £3,000 a year - which was available to all workers before the management buyout. The loss of this perk has particularly affected the number of people willing to travel into London from the Home Coun-

ties to work. The company considered because the cost of the travel subsidies had continued it was too expensive to continue. The bounties to workers who persuade friends and acquaintances to join Travellers' Fare was introduced two months ago, and is payable in two instalments after the recruit has been there three and six months. *IRS Employment Trends 44: Industrial Relations Services, 19-20 Highway Place, London N5 1QP, 23.50*

The First Global Gas Company

*Extracts from an address by Robert Evans, CBE,
Chairman and Chief Executive of British Gas plc, to the 1989 Annual General Meeting.*

It is fashionable at some annual general meetings for the Chairman to make the point that the company belongs to its shareholders by describing it as *your* company. I shall not be doing that. I shall instead be saying *our* company. After all the Directors are shareholders, too and so are almost all the employees of British Gas. Many of us have spent our entire working lives in the business.

I see it as very much a company that belongs to all of us. Certainly the Board do not see their job as just a professional one — merely as stewards of the owners' business. We all have a fierce and very personal loyalty to it.

In your study of the annual report, and perhaps from the newspapers and our advertising, most of you will be aware that a number of themes about our company are beginning to emerge.

The themes cover our commitments as a company — to our customers; to the community as a whole; to engineering excellence; to the environment; and of course to our own successful long-term future. But first I want to comment on the results of last year.

Last year set a test, which British Gas passed with flying colours. The experts at the Met. Office tell us that it was the warmest winter for well over hundred years. Under the circumstances, you might have expected a bigger fall in gas sales than was experienced. In fact, the underlying trend was for continuing growth.

We added an extra 350,000 customers during the year — which shows that gas's popularity, as Britain's favourite fuel, continues undiminished. More and more people are choosing gas for central heating. Another 600,000 gas central heating systems were installed.

Last year, we had to contend with volatility in the price of oil, our major competitor in business markets. But there were encouraging signs of underlying growth.

The gas business is still expanding, and we are still managing to improve efficiency and increase productivity. With more customers, we are giving high standards of service, with fewer employees. We are making the most of new technology to reduce those costs which we directly control; and we are achieving real reductions, from which customers benefit. Over our first two years as a privatized company, gas tariffs actually went down by 9 per cent in real terms.

Shareholders are benefiting too. Last year the current cost profit attributable to shareholders

went up by 9 per cent to £620 million. The Board is recommending a total dividend of 9p per share — an increase of 12½ per cent on the previous year. I hope you will agree with me that this is a very satisfactory result.

Banishing Gripes

Turning now to the future brings me to the first of the themes I spoke about at the beginning of this speech — our commitment to our customers. We shall not maintain our existing business, let alone achieve the expansion we are aiming for, unless we satisfy our customers. We operate in highly competitive markets with constantly rising expectations from customers. So we cannot stand still.

Gas is a first-class product and it is highly competitive in price. Add to that a back-up service of proven high quality and you have an unbeatable combination. I am determined, as are all the other members of the Board, to go on improving the service we provide until it becomes a by-word for quality

A continuing and widely perceived improvement in our service to customers is one of our prime goals.

Boosting Growth

That will help greatly in taking advantage of the opportunities for growth to be found in our traditional markets. There are still more customers to add — over 2 million homes within the gas supply area are not gas customers, and 4½ million homes are without central heating.

In the contract market, other gas suppliers may emerge. We are not afraid of competition — we have always had to compete with electricity, oil and coal. Gas competition is likely to be limited until the early 1990s. Much of it may take place in gas-fired power generation, stimulated by the privatization of electricity. We intend to gain a significant proportion of this new market, and even where we do not supply the gas, we will still gain by carrying other suppliers' gas through our pipelines.

So there are good reasons for seeing a bright outlook for the gas supply business. However, it cannot grow indefinitely. In each of the markets in which we operate, we already have the largest market share. So we will need to expand away from this business if we are to maintain earnings growth in the longer term.

We are looking for opportunities to widen the base of our business away from just selling one product in one country. We want to develop

additional businesses, which could grow to become as important as our current core business of gas supply.

Burning Greener

The current concern throughout the world for the environment gives us a considerable opportunity. Gas is among the greenest of fuels. In this country, natural gas has played a major role in ridding the air of the sulphurous fogs which were so much part of the foreigner's image of our country. Hardly anyone burns coal any more — most people have a gas fire or gas central heating, perhaps both. The result is cleaner, purer air for everyone.

With the growing availability of natural gas, many more countries can benefit in the way we have. What some of them lack is the know-how to develop their own gas industries or to establish one for the first time. As the largest fully integrated gas business in the western world and with our leadership in many aspects of gas technology, British Gas is well-placed to develop as the world's first global gas business.

That means building on the many years of hard work of our International Consultancy Service to create and operate gas transmission and distribution businesses ourselves. This is a long term prospect — if you like, my personal vision of where I believe we shall go — and I believe British Gas could do this better than any other company.

I should not like you to think that our interest in the environment is purely because of the business opportunity it represents for us. That is very far from the case. We take our responsibilities, as a good citizen should, very seriously.

Our operational sites for the national transmission system, for example, are sited and designed with great sensitivity and after much consultation locally and with concerned environmentalists. The result has been that we can all take pride in British Gas being not just winners of awards — as we are regularly — but in being good neighbours.

Behaving Generously

The resources of investment and of people that the company needs to run its affairs are of course drawn from the community. What we put back is primarily a valuable gas service. But increasingly society expects more than that from our business. We are happy to play our part — on behalf of our shareholders and employees — and we have now built a programme of involvement in

communities throughout the country.

We are involved in youth programmes, education, inner city work and a great deal more.

From personal experience I can tell you how much this work is appreciated by the people directly affected and by those who are concerned with the well-being of the many and varied communities which make up our nation. British Gas is earning immense good-will which is of course very good for business.

Backing Gumption

A large part of our community programme concerns education — at all levels from primary schools to university.

We can help education because we are knowledgeable about the application of science to industry, and that is why much of our effort has gone into providing materials for teaching science and technology. Our business is primarily an engineering one and of course science and technology are the foundation for engineering. Unless a sufficient number of properly qualified scientists and engineers are produced by our education system then British Gas will be in difficulty in the future. We shall also be in difficulty more fundamentally because without sufficient engineers, scientists and technologists, our nation will lose its way in the industrial world. Apart from any other consideration British Gas relies on a healthy economy for its own prosperity and that of its customers.

I believe passionately that we as a nation must acknowledge the importance of science and engineering, of manufacturing and of industry to our future prosperity — and act accordingly.

Support for engineering, customer care, community involvement and the environment, as well as being connected with each other, are intimately linked with the future of our business. If we are to grow in our existing markets and continue to expand and develop, we must meet objectives in all these areas.

In conclusion, let me return to my vision of British Gas as a global gas business. The world has very large reserves of natural gas, and new discoveries are still being made. Over the last 20 years, although world gas consumption has doubled, proven reserves have trebled.

I have every confidence that our company has the vision, the resources, the structure, the talents and the dedication to play a leading part in the development of the gas industry world-wide.

Thank you for your attention.

British Gas

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Saturday August 19 1989

The green revolution

IF AN ENTIRE forest were logged and the revenues invested in a cement factory, national income would show a rise both because of the investment in the cement factory and because of the logging activities. Such accounting rules are perverse. What is really happening is that one productive asset, a forest, is being destroyed in order to create another, the cement factory. Income, defined to include usage of natural assets, would rise only if the cement factory's value exceeded that of the lost forest.

The example is taken from an official report on "sustainable development" commissioned from Professor David Pearce, an environmental economist at London University. The Pearce report was enthusiastically received this week by Mr Chris Patten, the new UK Environment Secretary, who said it was "very close to his own thinking". Mr Patten's interest in green issues - after decades of neglect by both political parties - is most welcome. But the sea-change in attitudes necessary if green economics are to be taken seriously may not be appreciated.

Pollution target

Parts of the Pearce analysis certainly correspond neatly with the present system of policy. One example is the use of market mechanisms to help achieve regulatory goals. Thus instead of stipulating that all companies meet a given pollution target, a certain number of marketable "pollution permits" could be issued. Companies which could only reduce their pollution at great expense would tend to buy permits from companies which could adjust more cheaply. The fixed number of permits would ensure that the overall level of pollution was unchanged; the difference (in theory) is that trading of permits would ensure the target was achieved at a lower cost.

But willingness to use the price mechanism as a tool for achieving certain social goals should not be allowed to obscure the philosophical gulf separating green economists from conventional advocates of the market system. The essence of the free market approach is that social welfare will be maximised if the fewest possible constraints are placed on individuals' ability to pursue their own self-interest.

Green economics directly challenges the legitimacy of this philosophy. The market system, to work efficiently, requires everything to be bought and sold at a price. By and large, this is possible within the sphere of man-made assets. But it is not feasible for

a large class of "natural" assets. Nobody owns the atmosphere or the world's climate; at a more parochial level, while individuals can own certain buildings in London, only society as a whole can be said to own London's skyline.

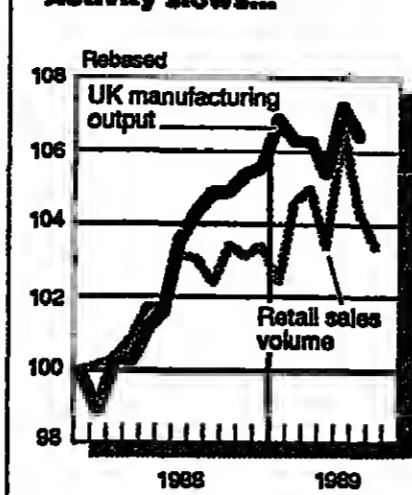
Value to society

During the past two centuries, the pursuit of self-interest within a broadly unfettered market system has led to phenomenal growth of the man-made economy. But this has been at a cost: the indiscriminate exploitation of natural assets, which have been treated as "free goods" and therefore over-utilised. Thus while the costing of a factory will take account of the price of inputs such as labour and capital, it will tend not to reflect the full value to society of the landscape destroyed during construction. Further, pricing decisions rarely recognise that economic processes, while transforming matter, do not create or destroy it. Thus the full social cost of waste products is not factored into corporate decision-making, nor, during the productive stage, is account taken of the eventual costs of disposing of products once they become obsolescent.

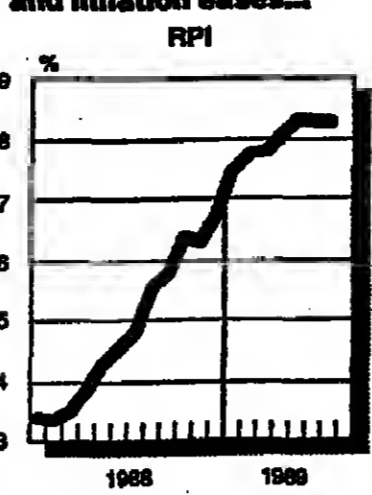
If the green agenda were to be taken seriously, the present system of national accounts would have to be substantially amended. Gross domestic product measures the growth of man-made goods and services, but it does not record as a negative item the costs of anti-pollution measures nor the long-term degradation of the natural environment caused by production. Such adjustments would not be trivial. One estimate for Japan suggests that conventional measures, by failing to take account of environmental effects, overstate "growth" in recent decades by some 40 per cent.

Environmentalists such as Professor Pearce propose a radical reorientation of society's economic goals. Instead of promoting GDP growth, we should seek "sustainable development". This, he stresses, is a value-laden concept which has to take into account a vision of "the good society". It involves a substantially increased emphasis on natural and cultural environments, and greater concern about the impact of policies on future generations. Such ideals may dovetail with Mr Patten's "one nation" Toryism, but they are hard to square with the individualism at the heart of the Thatcher revolution. The problem is that while the pricing of man-made assets can be left to the market only society as a whole can decide what value to place on the environment.

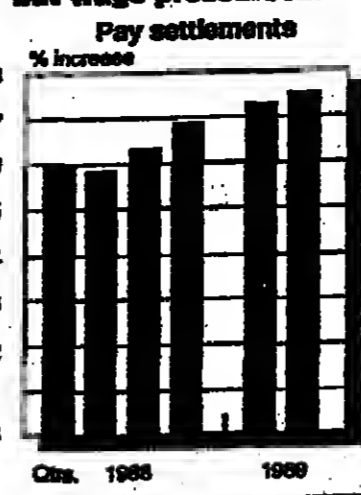
Activity slows... and inflation eases...



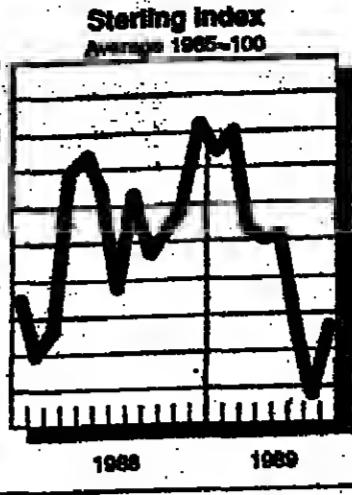
but wage pressures... and a weak pound...



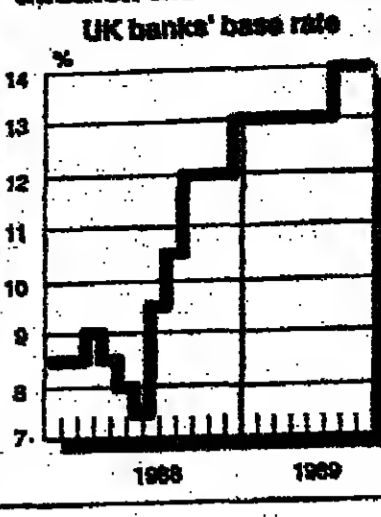
Pay settlements



Sterling index



UK banks' base rate



"I have never, contrary to what some people have said, made any promises of soft landings, or even soft landings or the rest of it. I am concerned to arrest this rising inflation which has been occurring world wide but is occurring rather more in this country in the past 12 months, and to get it slowing down again."

Few things stand still in life. But Mr Nigel Lawson's description of his policy priorities is as true today as it was when he testified to the House of Commons Treasury and Civil Service Committee four months ago.

Official statistics over the past week clearly suggest that the hoped-for slowdown in the economy from last year's overheating is at last starting to show itself. However, despite the unexpected dip in the growth rate of average earnings to 9 per cent in June and the slowing in retail price inflation to an annual 8.2 per cent last month, it is too early to conclude that underlying inflationary pressures are under control.

Perhaps more worrying for the Chancellor, as he holidays at his official country residence at Dorneywood, Buckinghamshire, before handing it over to Sir Geoffrey Howe, are signs that the easy part of the slowdown is behind him.

The policies are in place. The savage tightening of monetary policy that lifted bank base rates to 14 per cent from 7.5 per cent in the 12 months to the end of May has curbed consumer demand and is beginning to crimp output.

His problem now is that his choices are narrow just as the pain begins to spread.

Continuing high current account balance of payments deficit and fragile international confidence in sterling mean that he may not be in a position to lower interest rates should a hard landing appear likely. With a general election perhaps only two years away, the time in which the Government can safely risk a recession is shortening.

And the spectre of recession is beginning to appear. It is, admittedly, still a minority concern and, if anywhere on the horizon, still some way in the future.

The majority of City economists believe that interest rates will have to stay at present levels until next spring while some zealots would like to see further tightening.

But gloomy surveys of business opinion: the need to refinance furniture retailers MFI and Lowndes Queensway; the failure of Kentish

Between inflation and recession

Peter Norman examines the state of the British economy as signs emerge of an economic slowdown

Property Group, the London Docklands housing developer, even the news that 15 executives will lose their jobs at Harrod's, the Knightsbridge store - all these have taken some of the sparkle away from reports that demand for champagne in Britain is running at record levels.

Among fund managers and in the clearing banks, there are some who think that recent falls in demand and business optimism could be the prelude to sharp cutbacks in capital spending unless interest rates are eased this autumn. Even the Bank of England, which believes that continued inflationary pressures are the major threat to hopes of a gradual cooling of the economy, has warned of the danger of a collapse in confidence hitting output and employment.

Such conflicting signals are typical of an economy in a state of change. And judging the present state of Britain is not made any easier because of the lags and unreliability of official statistics and the lofty growth levels of 1988 which preceded the slowdown.

In its latest quarterly bulletin, the Bank of England admits that, with hindsight, it should probably have tightened monetary policy more stringently last summer because the economy was growing faster and with greater inflationary pressures than it thought. The economy grew at an average rate of more than 4 per cent for 2 1/2 years - an unusually long period - to the end of 1988.

In 1988 itself, domestic demand grew at almost 2 per cent a quarter, pushing the current account of the balance of payments deeply into the red. It also brought tighter labour markets and production bottlenecks that added to the inherent inflationary bias in Britain's system of determining wages.

Against this background, Mr Lawson is probably well pleased with this week's economic data. July's 0.6 drop in retail sales, June's 0.7 per cent decline in manufacturing output and last month's 21,300 fall in the seasonally adjusted level of unemployment all told of a more pronounced slow-

down than anticipated in the consensus forecasts of the City. Underlying inflation indicators - the prices paid last month by industry for raw materials and fuel, the factory gate prices charged by manufacturers and June's average increase in earnings - were also all a fraction lower than expected.

The problem is that what may seem a desirable economic trend to the Treasury may alarm an entrepreneur into cutting investment and production. A rash of survey evidence in recent weeks suggests that the slowdown, having laid low the housing market and curbed the enthusiasm of consumers, is taking its toll of the retail trade and beginning to limit optimism in industry.

Retailers are glum about their sales than at any time in the six year history of the monthly retail trends survey produced by the Confederation of British Industry and the Financial Times. An earlier CBI survey found that confidence among manufacturers was at its lowest level for seven years.

This week, a poll of nearly 3,300 firms in the manufacturing and service sectors by the Association of British Chambers of Commerce concluded that there was now "no question" that "businesses are preparing for a harder landing than had previously been anticipated." According to the Bank of England, some small companies may already be experiencing liquidity problems because of increased borrowing costs.

It is in this uncertain climate that the economy is especially prone to vagaries in the stockbuilding cycle. Stocks already rose by a record £1.5bn in the final quarter of last year while the latest CBI surveys suggest that manufacturers and retailers have become increasingly concerned about a further stocks build up in recent months. Rising inventories of unsold goods could prompt cuts in output and investment.

However, nobody is expecting a repeat of 1980, when a heavy run down of stocks helped trigger Britain's deepest post war recession. Improved industrial relations and

computer control techniques mean that industry need carry far fewer stocks than previously, reducing the volatility of this component of gross domestic product.

In addition, industry should be in a far better position to weather an economic downturn than before despite problems in individual sectors such as textiles and the East Midlands shoe industry. Gross trading profits among industrial and commercial companies increased by just under a fifth last year. The real rate of return on capital employed stood at 11 per cent, its highest level for more than 20 years. The share of company profits in total GDP has increased by 8.5 percentage points since 1981.

Productivity in industry has also grown strongly. In manufacturing, output per man has increased at an annual rate of about 4.26 per cent

The Bank of England is worried about soaring unit labour costs in the private services sector

since 1980 compared with 1 per cent a year in the middle and late 1970s.

However, productivity is vulnerable to slower demand. With the corporate sector a net borrower for the second year running this year, higher interest rates will also mean higher margins for many companies. The latest Chamber of Commerce report showed lower interest rates were the main wish of manufacturing and service companies.

In one respect, a margin squeeze is just what Mr Lawson has been looking for. It would make businesses more eager to resist inflationary pay settlements. Arguably, pay pressures in Britain remain the most important threat to the Chancellor's policy.

This summer's 8.3 per cent public sector wage increases have left Government ministers furious and warning of a renewed wage price spiral.

Although the public sector pay deals can be defended as representing "catch-up" payments for groups which fell behind the general level of wage increases, they contain the risk of triggering inflationary demands in the private sector pay round which gathers pace from next month. Whereas the Bank of England believes that manufacturing can cope with wage increases of up to 7 per cent through increased productivity, it is extremely worried about soaring unit labour costs in the private services sector.

The inflationary climate makes it all the more important for the Government to maintain a strong pound so that the currency acts as a bastion against imported price rises and deters companies from risking their international competitive edge through inflationary wage settlements.

But again Mr Lawson is not his own master. Although the Chancellor likes to say that Britain's £18bn annualised current account balance of payments deficit is a private sector problem, it poses a threat to sterling that contributes to his difficulties in maintaining a credible counter-inflationary policy.

Bank of England intervention to support sterling this week was a reminder that the pound is vulnerable to speculative pressure. The main reason why the Bank of England and Treasury lifted bank base rates to 14 per cent in May was to bolster the pound.

Matters would be easier for Mr Lawson if the markets fully trusted him. But his failure to act swiftly against overheating last year means that he is ill placed to emulate Mr Alan Greenspan, the US Federal Reserve Board Chairman. Mr Greenspan successfully tightened US monetary policy last year in anticipation of rising inflationary pressures and as a reward has been able to begin easing the monetary reins on early signs of a slowdown.

For the moment Mr Lawson is probably best advised to sit tight. But he could be entering the most difficult period of his long Chancellorship.

The annual increase in retail price inflation should fall slowly as last year's large mortgage rate increases drop out of the index. But a sterling crisis or higher wage pressures (or both) could force another base rate rise. That would inevitably push up mortgage rates, further crippling demand and fueling pressure for still higher wages. A mortgage rate rise is also possible without a base rate rise, should interest rates stay at present levels for a long time.

In happier days before the economy turned sour, the Chancellor used to be known as "Lucky Lawson". Despite his professed lack of interest in ensuring a "soft landing" for the economy, he must be hoping that some of that luck remains. If it doesn't, he will lose more than the use of Dorneywood.

MAN IN THE NEWS

Lech Walesa

A shrewd grasp for the substance of power

By John Lloyd

to take government wholly upon Solidarity's shoulders.

In the past two weeks, this version in its turn changed to a coalition government with the Peasants and Democratic parties; then to a government which would include reformist-minded Communists. This finally sharpened itself to one which had Communist ministers in charge of at least the defence and interior portfolios (what secrets are nesting in these files, to delight or horrify a Solidarity minister who opened them of a sultry Warsaw evening?)

As one conception succeeded another, in at least one case taking his own deputies by surprise, it did indeed seem that Walesa had introduced an air of fantasy into the atmosphere. After all, was not General Czeslaw Kiszczak the duty con-

stituted Prime Minister, endorsed by the Sejm (albeit narrowly, with plenty of arm-twisting)? Did not the Round Table records specify that Solidarity would remain an opposition for four years?

For many people here, and not just Communists and their supporters, the notion of a Solidarity government is either absurd or fearful. Walesa, say the more delicate, cannot even spell. The Solidarity radicals, say the more nervous, have already promised to hang us from the lamp-posts (as indeed some did, back in 1981; the matter was made much of as a justification for martial law).

But the substance of power was melting into thin air, and Walesa seemed to be the most attuned to that fact. He is awkward, impulsive and contradic-

tory: now devout, now vain, now mawkish, now apparently over-respectful of authority. Throughout all of these easily caricatured failings, he has retained, it seems, an intellectual edge which academic minds have lacked. The unemployed young electrician who climbed over the wall of the Lenin shipyard in Gdansk in 1980 is now, at 48, thicker in his frame. But he is as able to sense an opportunity as ever he was.

What will he do once his long-time adviser Tadeusz Mazowiecki becomes Prime Minister? Denying, for the thousandth time on Thursday, any intention of taking either the presidency or the premiership, he said: "I will stay with the masses." At any time before this year that would have meant something fairly

precise: it would have meant staying true to the ideals and practice of the Solidarity opposition. Now, it is impossible to know what it foreshadows.

Does it mean, as he has also suggested, that he wishes to concentrate on the trade union side of Solidarity - which many, including himself, fear will be submerged in all of this politicking? Does it mean he will hold himself in reserve to be president of Poland when the last Communist figleaf finally drops? Does it mean he will play a Gandhi or Khomeini-like role in the revolution for which he, more than any other, is responsible? His reply had the great merit of vagueness; of holding open his options.

He has no illusions whatever about the task his government will face. Time and again, before as well as after the election, he has warned his fellow citizens that there are no political nostrums for the intractability of the Polish economic crisis. He knows the paucity of the human and material resources at the disposal of a Solidarity government. His religious devotion can border on the mystic; but his political sense has the harsh realism of a poor peasant's son who brought up his own large family in a tough shipbuilding town. He describes those conditions well in his autobiography; sales of the book enabled him to build a villa with many rooms, enough to receive a US president in last month.

Whatever else he does, Walesa will remain the holder of the Polish political ring for the foreseeable future. He has proved himself able to bear the pressures of being a world figure while remaining the people's Lech. Nothing better illustrates the geopolitical centrality of Poland than the fact that he should be consulted and wooed by Presidents Bush and Mitterrand, Prime Minister Thatcher, the Pope and soon, no doubt, President Gorbachev. If Poland is the heart of Europe, Walesa is the heart of Poland. A heart with a mind of its own.



WARD WHITE GROUP

IMPORTANT NOTICE TO SHAREHOLDERS

Philip Birch, the Chairman of Ward White, yesterday wrote to shareholders

- ✓ confirming the Board's advice to shareholders
- ✓ sending them forms of withdrawal

To withdraw any acceptance of Boots' offer, shareholders should complete the relevant form of withdrawal immediately and return it to National Westminster Bank PLC, New Issues Department, P.O. Box 33, 153-157 Commercial Road, London E1 2DB.

If you are in any doubt as to how to complete the forms of withdrawal, please telephone Ward White on:

0933 624151

Copies of the letter from Philip Birch and of the forms of withdrawal can be obtained from S.G. Warburg & Co. Ltd., 2 Finsbury Avenue, London EC2M 2PA, or by telephoning the above number.

This advertisement is published on behalf of Ward White Group plc and has been approved by S.G. Warburg & Co. Ltd., a member of The Securities Association, for the purpose of section 57 of the Financial Services Act 1986.

The Directors of Ward White accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

UK COMPANY NEWS

**Final round of battle for Gateway ends with Panel approval
Newgateway takes up Isoleceles offer**

By Nikki Tait

NEWGATEWAY, the US-backed loser in the \$2bn-plus bid battle over Gateway, Britain's third largest food retailer, yesterday finally agreed to accept the cash and paper terms offered by the winning rival bidder, the newly-formed Isoleceles consortium.

Newgateway will accept cash of around £764m plus units (a mixture of ordinary and preference shares) in Isoleceles in exchange for its 40 per cent holding in Gateway. This will give it around 26 per cent of the Isoleceles equity.

Isoleceles will then make an open offer of additional units to all shareholders (other than its original backers). Newgateway will subscribe for its full entitlement under the open offer, plus a few extra units, lifting its holding to 39.9 per cent of Isoleceles. This subscription will cost it £25m-£30m.

Newgateway will get two

non-executive seats on Isoleceles' board, but Isoleceles will go ahead with its planned commercial strategy for Gateway.

The arrangement forms the final act in a lengthy struggle for control of the food retail group. Isoleceles acquired over 50 per cent of its target in mid-July and declared the bid unconditional. But Newgateway, representing Great Atlantic and Pacific Tea Company and Wasserstein Perella - continued to add to its Gateway stake, eventually acquiring the 40 per cent holding for a cost of around £960m.

The presence of this substantial minority interest prevented Isoleceles taking Gateway private. Given the leveraged nature of its bid, this carried various unhelpful tax implications. Meanwhile, Newgateway had ended up with a very large investment where it had no direct control.

Talks have been underway for some weeks. Any resolution, however, was complicated by the fact that Newgateway said, in the closing stages of the battle, that it had no intention of accepting the Isoleceles offer whatever the outcome.

Yesterday's arrangements, therefore, required Takeover Panel approval. In a fairly lengthy statement the Panel said it had emphasised to Newgateway during the battle that it "attached considerable importance to parties not making statements during offers which are not subsequently adhered to."

However, both Isoleceles and Newgateway argued that circumstances had changed, in that the latter was now being offered an increased interest in Isoleceles.

The Panel also accepted that the minority position created uncertainties for the business

and looked at whether Gateway shareholders had been disadvantaged by relying on Newgateway's earlier statement. The Panel decided that - on balance - the arrangement should be allowed.

The terms of the open offer allow Isoleceles shareholders to acquire 16 units at £50 and 2 further units at £40 for every 120 ordinary shares held. The prices of £50 and £40 per unit are equivalent to 15p and 20p per Gateway ordinary share under the terms of the Isoleceles offer.

The Newgateway interest will be split equally between A&P and Wasserstein and each will vote their holding separately. Yesterday, A&P estimated that its individual 20 per cent interest had cost the company around £125m (£80m); Wasserstein put its own figure at around £60m-£70m.

See Lex

Only £0.5m profit from Ward Hldgs

THE SHARE price of Ward Holding dropped 10p yesterday as the severity of its mid-way profit setback became known.

At the pre-tax level this Kent-based property and construction group made only £517,000 for the six months ended April 30 1989 compared with £1.7m and with £14.4m for the whole of 1987-88.

On June 24 the group warned of a significant fall in profits because of a marked slowdown in the sale of new homes. On that news the shares initially fell 29p to 80p but later picked up to 88p; yesterday they closed at 83p.

Mr Dennis Ward, chairman, said the deterioration of the housing market in London and the south-east occurred with unprecedented speed and severity.

While the company bore the immediate impact of the downturn, early action - such as moving more strongly into the first time buyers' market - was taken to minimise its effect on the group.

Results of the action will become apparent in the second half, which had traditionally shown a better profit performance, he said.

Turnover in the first half fell from £23.5m to £17.1m, with house sales declining from £19.45m to £11.63m. On the positive side plant hire rose 53 per cent to £1.55m and gross rental income was well on the way to being trebled at £1.4m.

Earnings were well down at 0.7p (7.5p) but the interim dividend is held at 0.5p.

Midland buys Billingsgate City

By Clare Pearson

MIDLAND BANK is buying Midland Montagu House, headquarters of its investment banking arm in the City of London, through a £99.6m recommended offer for Billingsgate City Securities, the listed vehicle which owns it.

The recommended deal, which values the building at £136m, brings an early end to the UK's first-ever experiment in a listed security backed by a single property asset. Billingsgate's preferred shares were floated in London last year after being launched in Luxembourg in 1986.

The purchase takes the form of an offer for the balance of the preferred shares in Billingsgate not owned by Beristof (Switzerland), which is a subsidiary of Beristof International, the sugar processing and commodities group, and holds all the ordinary shares, and a separate deal with Beristof (Switzerland).

Midcorp, Midland's subsidiary, is offering preferred shareholders 133.5p in cash with a loan stock alternative. This is a 36.5 per cent premium to the value on Thursday of

the shares, which were issued three years ago at 100p each. The price Midcorp is paying to the preferred shareholders is calculated on the basis of the theoretical entitlements of those holders in the event of a sale of the property for about £147m. Midland Montagu House was valued at £128m in March of this year.

Beristof's total consideration is about £88m, compared with £44.4m, the building's original cost to the group.

Under the deal with Midcorp, Beristof is receiving 168.82p for each preferred share in cash. The £36.1m payment for the ordinary shares is in loan notes. Midcorp is also discharging inter-group indebtedness of about £19.5m.

Beristof has given irrevocable undertakings to accept Midcorp's offer in respect both of the ordinary shares and its 75 per cent holding in the preferred shares. Undertakings have also been received in respect of 91.53 per cent of the balance of the preferred shares - a sufficient number to allow the offer to go unconditional. There are also outstanding

some £52.5m nominal of deep discount mortgage bonds, issued along with the shares in 1986.

Beristof's offer last year failed to gain the recommendation of the independent directors. Subsequently, Beristof lifted its holding to just over 75 per cent of the preferred shares.

Many had expected that Midland Montagu House would be purchased by a foreign buyer. However, it is thought Beristof may have encountered difficulties in negotiations due to Billingsgate's complicated capital structure.

Beristof's lease was to have run out in 31 years' time. A spokesman for the bank said the purchase of Billingsgate would mean it could make sure it would continue to enjoy the investment it had already made in adapting Midland Montagu House to its own particular needs.

The performance of Billingsgate's shares had been viewed as disappointing. However, yesterday's price was seen as an attractive one for the preferred holders.



Russell Smith - a strong cash flow would help Kunick expand its care for the elderly activities

Kunick buys Cope Allman's Bell Fruit operations for £87m

By John Riddling

KUNICK, the leisure and healthcare group, is paying £87m to acquire the Bell Fruit amusement businesses from Cope Allman, a subsidiary of Quteplan, a holding company in which Mr Michael Ashcroft's ADT has a 49 per cent stake.

The deal is Kunick's most ambitious move since it joined the USM in January 1988 and doubles the size of the company at a stroke. It will make it one of the UK's largest amusement machines operators.

Mr Russell Smith, chairman, said the acquisition reflected Kunick's strategy of developing a strong cash flow so as to finance the expansion of its care for the elderly businesses.

Bell Fruit comprises two separately managed businesses: Bell Fruit Services, which operates and maintains its 32,000 fruit machines and quiz games, and Bell Fruit manufacturing, which makes a range of amuse-

ment products and supplies about 17 per cent of BPS's machinery.

Mr Smith said that "the manufacturing activity does not form part of Kunick's present strategy and it is intended to sell it to existing management for not less than £38m."

In the year to July 1988, BPS achieved sales of £40.8m and operating profits of £5.6m. It employs about 1,800 people.

According to Kunick, there is considerable scope for improving margins at BPS. MFG, Kunick's current UK amusement business, achieves returns of 55 per cent per machine per week, compared with Bell Fruit's 33.40.

Mr Smith said productivity could be improved through rationalisation, including redundancies and economies of scale. He said that the combination of MFG and BPS would give Kunick control of about 40,000 machines, second only to Allied Leisure, a subsidiary of Bass, the brewing

group.

The acquisition is being financed through a £78m placing of new ordinary shares and convertible preference shares. The balance will be met through bank borrowing.

The shares are being conditionally placed with institutional investors but, under a clawback option, existing shareholders may subscribe for the units of 34 new ordinary shares and 13 new convertible preference shares on the basis of one unit for every 60 shares held.

The units cost £31.88 each, representing a price of 59p per new ordinary share and 100p per convertible preference share. Yesterday, Kunick's shares closed up at 89p.

On a fully diluted basis, Kunick's issued shares will increase from about 118m to 240m. However, Mr Smith said that he was confident that Kunick's annual target of 25 per cent earnings per share growth would be achieved.

BAT's jobs record attacked

By Nikki Tait

WITH BAT Industries due to release its first formal defence document against the £13.5bn paper bid from Sir James Goldsmith's Hoylake consortium on Monday, the bidder yesterday turned the attack to BAT's own employment record.

In response to concerns expressed by both US politicians and trade unions, Hoylake claimed that BAT's employee numbers had fallen by 34.3 per cent in the UK since 1982 and by 35.6 per cent in the US.

Meanwhile, Sir James Goldsmith maintained that at companies he had acquired in the

Shares in Avon fall 51p after profits warning

By Peter Pearce

Shares in Avon Rubber fell 51p to 504p as the tyres and industrial polymers group, said it did not expect its performance in the second half to be an improvement over that in the first. In the six months to April 1, pre-tax profits declined from £7.69m to £6.03m.

Mr John Bradbeer, finance director, laid most of the blame for Avon's "temporary difficulties" on residual problems from Motorway Tyres and Accessories, Avon's retail operation, and on unexpectedly low overseas orders for the company's S10 radiator.

In May Avon sold - for £16.5m - 70 per cent of Motorway to SP Tyres, which manufactures tyres under the Dunlop brand and is a subsidiary of Sumitomo Rubber Industries. At the same time SP bought a 20 per cent stake in the Avon Tyres subsidiary. In the run-up to the sale, Motorway had fallen from profits of £500,000 to losses of £1.5m.

High interest rates had squeezed the replacement market. Mr Bradbeer maintained, adding that a survey he had seen had revealed that 80 per cent of cars driven into depots for tyre replacement already had tyres well below the legal requirements.

In the year to April 1, Avon's £220m turnover was divided into: \$90m Motorway; \$60m tyre manufacturing; and the rest non-tyre operations. Mr Bradbeer said that in the current year 65 per cent of the current year's revenue would be from non-tyre operations.

US, his actions had led to "significantly" more people being presently employed. He added that the only jobs at risk as a result of the Hoylake bid were those held by some BAT executives in London.

Snapping back, BAT and its advisers said that this made no allowance for disposals, some in the labour-intensive retail area. And they went on to attack Hoylake's chances of introducing some cash element into its bid at a later stage.

BAT claimed that non-refundable underwriting and commitment fees - if Hoylake tried to make arrangements to

back its current offer by cash - could amount to around £150m. It questioned whether Anglo, the medium-sized quoted company earmarked for the Goldsmith return, could shoulder this potential burden, or whether the Hoylake investors would wish to, BAT also expressed scepticism that such underwriting exercises would be possible given the scale of the bid.

Hoylake's only retort yesterday was that any underwriting exercise would be fully while BAT persisted in what Hoylake claims were "locking tactics" on the US regulatory front.

Fruit cocktail of a structure

TRACING the ownership structure of the Bell Fruit Leisure Group is almost as difficult as lifting the jackpot on one of its machines, writes John Riddling.

This is perhaps not surprising given the fondness of Mr Michael Ashcroft, whose ADT Group is its largest investor, for complex financial arrangements.

Apparently, Bell Fruit is owned by Cope Allman, the only business of Quteplan, an investment holding company set up at the beginning of 1988 to buy Cope Allman from Bentley, a named Canadian associate of ADT.

ADT holds 49 per cent stake of Quteplan. Tallman Management, which runs Quteplan's businesses, has 30 per cent as does Ackermans and Van Haaren, a Belgian holding company.

At the time of its acquisition by Quteplan - a leveraged deal of about \$110m - Cope Allman comprised three main businesses: packaging, Bell Fruit and engineering.

The engineering businesses have been sold for a total of £38m and, following the sale of Bell Fruit, total group borrowings will be reduced by a further £28m to about £140m.

Mr Richard Crogan, chairman of Quteplan, Bell Fruit and co-founder of Tallman Management, said yesterday: "We have had a very good year from Bell Fruit and increased operating profits by 55 per cent. But I don't have the resources to develop both a fast growing packaging business and Bell Fruit, especially as we are a leveraged company."

The company will concentrate on the packaging division, which has 25 operations in 10 countries. Mr Crogan said he expected it to achieve pre-tax profits of about £28m in the current year.

RHM abandons bond issue plan

RANKS HOVIS McDougall, the food and bakeries group, said yesterday that it had abandoned plans for a £200m Euro-sterling convertible bond issue after deciding that it was not the most appropriate way to maximise the value of its assets, writes Andrew Freeman.

The deal would have been convertible into shares of Goodman Fielder Wattle, the Australasian food company for which RHM launched an abortive bid earlier this year. Hed the issue gone ahead, it would have been the largest of its kind in the Euro-sterling market.

The deal was suggested as a way of re-financing RHM's 14.9 per cent stake in Goodman Fielder. That stake was put up for sale some time after the failure of the takeover bid.

New issue traders on the convertibles market said the issue had been widely expected, with two brokers making a grey market on Thursday.

General Cinema plans to trim its stake in Cadbury

By Anatole Kaletsy in New York

GENERAL CINEMA, the Massachusetts-based conglomerate which owns a strategic stake of about 13 per cent in Cadbury Schweppes, is to dispose of part of its holding in the UK drinks and confectionery company.

General Cinema said it would exchange 14m Cadbury shares for about \$60m worth of convertible debentures which it issued in 1987 to finance part of its Cadbury holding. General Cinema had the option of redeeming the bonds for cash instead of Cadbury shares and this is what it had been doing until Thursday's filing with the Securities and Exchange

Commission.

The decision to start offering debenture holders shares instead could therefore imply that General Cinema wished to lower its stake in Cadbury and had given up on the idea of mounting a bid for the British company.

However, the shares involved amount to less than 3 per cent of Cadbury's outstanding equity and only one-sixth of General Cinema's holding.

The US company's decision could merely represent profit-taking. The price of Cadbury shares has more than doubled since General Cinema made its investment in 1987.

Young Group advances 31%

Young Group, one of the leading private-sector coal businesses in Britain, increased its pre-tax profit by 31 per cent in the half year ended June 3 1989.

This USM-quoted group produced £13.7m from turnover of £14.49m, against £1.04m on sales of £9.2m.

Mr Robert Young, chairman, said there was some reduction in margins primarily as a result of measures taken to protect continuity of production in the run-up to electricity privatisation, and in part because the exceptionally mild winter led to high stocks at power stations.

Earnings were reduced to 9.64p (10.48p) on considerably higher capital. Interim dividends are initiated with a payment of 2.6p.

Red Funnel forecasts at least £3.2m

By Clay Harris

RED FUNNEL, the Southampton-Cowes ferry operator, is forecast to make a profit of £3.2m in 1989, a 50 per cent increase on 1988, according to a forecast issued by the firm's analysts.

The interim dividend is raised by 50 per cent to 3p (2p), and Red Funnel forecast a final of 7p, to raise the 1989 total by 25 per cent to 10p.

First-half earnings per share rose to 7.9p (6.99p), with full-year figures forecast to grow by 20.7 per cent to 30.3p.

Sally last night described the result, especially a "negligible" £9,000 rise in operating profits at the half-way stage, as "very disappointing and lacklustre."

Mr Michael Wilkinson, Red Funnel chairman, said the profit forecast assumed that the rival Cowes Express would begin operation on September 1 and would continue an uninterrupted service for the rest of the year. He described this as "conservative" and said there

was "no more indication that this would happen" than when he last wrote to shareholders.

However, Mr Michael King, Red Funnel's managing director, said this was "not remotely near the truth." The 1988 forecast failed to take into account a full year's competition from Cowes Express.

Red Funnel, he said, had no experience of direct competition comparable to Sally's record in the "piranha waters" of the Channel.

Red Funnel shares were unchanged at 23p, compared with Sally's 25p offer. Sally has until next Friday to raise its bid. Mr King said his board was considering this and other options.

Increased losses for ICD after publishing disposals

By Vanessa Houlder

INTERNATIONAL Publishing, although the deal had been delayed by several days this week, said the results had been affected by the sale of the businesses which had drained management resources, a reduction in the number of offices from seven to two and the decrease in staff from 168 to 62.

The fixed assets of the company increased to £3.6m, representing 21.1p per share. During the year it spent £1.4m on the creation of databases.

The loss per share increased from 1.27p to 2.17p.

Consumer Publishing, however, said the deal had been delayed by several days this week. The company said the results had been affected by the sale of the businesses which had drained management resources, a reduction in the number of offices from seven to two and the decrease in staff from 168 to 62.

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Ewart shares rise 22p on bid approach

By Vanessa Houlder

Shares in Ewart, a property developer based in Belfast, yesterday rose 22p to 143p after it announced the receipt of an approach which could lead to an offer.

The approach was believed to be made by two individuals who are primarily interested in the value of the company's stock market listing and the development value of its cold storage operation in Kent. This business, based on a 17-acre freehold site at Sevenoaks, was bought for £8m in April 1988.

Ewart's net asset value per share was 117p at October 31.

Pillsbury incurs loss in second quarter

PILLSBURY, a US subsidiary of Grand Metropolitan, incurred a net loss of \$95.1m (\$61m) for the three months to June 30, against a net profit of \$41.8m in the second quarter of 1988.

GrandMet said the figures would require material adjustment before incorporation into its own accounts.

Mr Ian Martin, Pillsbury's chief executive, said results from both Pillsbury and Burger King, its hamburger chain, continued "to be very satisfactory and fully meet our expectations." Net sales fell to \$1.34bn (\$1.47bn), reflecting the disposal of Steak and Ale, Bennigans, Bay Street, Godfather's Pizza and Quik Wok restaurant chains and a grain trading business.

Net sales fell to \$1.34bn (\$1.47bn), reflecting the disposal of Steak and Ale, Bennigans, Bay Street, Godfather's Pizza and Quik Wok restaurant chains and a grain trading business.

An amortisation charge of \$3.4m (\$8.3m) would not be a charge to the group under UK accounting standards, GrandMet said. Net interest accounted for \$170.7m (\$19.7m) but there was a tax credit of \$11m (\$3.2m charge).

Seabrook denies illegal dealing

By Clare Pearson

MR ROBERT Seabrook, former chief executive of the Throgmorton Trust, yesterday categorically denied that he was guilty of insider dealing in relation to the sale of shares in Acatos & Hutcheson on March 29 1988.

The [Mr Seabrook] is confident that the Department of Trade and Industry inspectors, when they have fully inquired into the facts, will totally exonerate him," said a statement issued on his behalf.

His statement followed a similar denial by three other directors of the edible oils and fats manufacturing company earlier this week.

Meanwhile, the Throgmorton Trust said yesterday that any suggestion that Mr Seabrook's resignation was brought about by the DTI investigation into Acatos & Hutcheson was totally unfounded. His resignation was a direct result of his ill-health.



Robert Seabrook - confident the DTI will exonerate him

The report had been submitted to the DTI.

Mr Seabrook's statement also attacked the version of the facts contained in an article published in *The Sunday Times* on August 13 on the subject of the DTI probe, and additionally claimed that it exaggerated the number of shares he had sold.

"The true position is that Mr Seabrook sold only about a third of his holding ... on March 29. He did so to avoid a higher rate of capital gains tax introduced in the Budget two weeks earlier which would affect sales of shares after April 6. He did not act on any inside information."

Throgmorton also said that, following Mr Seabrook's retirement, Mr Paul Leach and Mr Brian Rout had been appointed joint managing directors of the Throgmorton group. Mr Seabrook remains a non-executive director.

More ammunition for Molins' defence

By Ray Bashford

MOLINS, the cigarette machinery maker, has brought forward the announcement of significantly improved interim results as part of its defence against a takeover offer from IEP Securities, a UK vehicle of Sir Ron Brierley, the New Zealand businessman.

In its second defence document, Molins yesterday disclosed an increase in pre-tax profits from £3.3m to £6.3m in the six months to June 30.

The figures were accompanied by another strongly worded rejection of IEP's 256.3m offer

and details of the group's financial position which, the board said, added strength to its claim that the offer grossly undervalues the company.

IEP is offering 190p a share compared with yesterday's closing price of 216p, down 3p. Sir Ron Brierley's company controls slightly over 29 per cent of the capital, most of which was acquired in the run up to the first and unsuccessful 300p a share offer for Molins in July 1987.

IEP has received acceptances for only 10,532 shares and next

week will have to make a further statement about its intentions with the offer, which could include a higher bid.

Mr Stuart Mitchell, IEP's UK chief executive, said the document contained no new information. He claimed that important parts of the defence were based on speculation about the outcome of litigation in the US and forecast surpluses from the group's pension funds.

Molins is fighting in US courts for the preservation of rights to patents over flexible manufacturing systems, used

in computerised production lines. The company said that if successful it could "receive substantial income from past and future FMS installations."

According to the document, the estimated value of surpluses on pension funds at May 31 this year was £55m.

The company forecast that it will not have to make pension contributions to the funds for at least 20 years, and that the surpluses should ensure that it will benefit from a major contribution to profits and cash flow during that period.

MARKET STATISTICS

BANK RETURN

Wednesday August 18, 1989

	£	Change
LIABILITIES		
Capital	14,629,000	
Public Deposits	93,275,888	+ 4,427,107
Bankers Deposits	1,812,284,080	+ 2,797,788
Reserve and other Accounts	2,188,728,420	+ 18,721,828
	3,808,036,348	+ 24,202,570
ASSETS		
Government Securities	848,881,629	+ 27,830,000
Advances and other Accounts	838,434,302	+ 57,053,844
Premises Equipment & other Secs	1,870,196,388	+ 10,878,850
Notes	10,878,850	+ 5,154
Reserve	207,189	
	3,808,036,348	+ 24,202,570

ISSUE DEPARTMENT

Notes in circulation 15,078,923,380

Notes in Banking Department 10,878,850

ASSETS 15,080,000,000

Government Debt 11,015,100

Other Government Securities 13,203,811,648

Other Securities 1,875,073,254

15,080,000,000

EUROPEAN OPTIONS EXCHANGE

Series	Aug. 89			Nov. 89			Feb. 90			Stock
	Vol	Last	Chg	Vol	Last	Chg	Vol	Last	Chg	
ABN Bank	414	1.50		135	2.70		14	3.70		FI 46.60
Adair & Co	208	2.30		5	2.70		1	3.70		FI 111.50
Alm Invest	66	7.30		1	1.50					FI 54.90
Alm Invest	478	4.10		53	7.30		1	10.40		FI 147.90
Alm Invest	19	4.40		48	3.50		1	7.40		FI 111.50
Alm Invest	49	2.50		15	5.40		1	10.40		FI 147.90
Alm Invest	37	2.50		19	3.50		1	10.40		FI 147.90
Alm Invest	101	0.40		99	11.20		1	10.40		FI 147.90
Alm Invest	101	0.40		99	11.20		1	10.40		FI 147.90
Alm Invest	101	0.40		99	11.20		1	10.40		FI 147.90

ECONOMIC DIARY

TODAY: Malaysia's cocoa industry representatives meet Government officials in Kuala Lumpur to resist plans to withhold supplies to raise prices, and to rejoining the International Cocoa Organisation. The Politburo of the Communist Party of the Polish Communist Party holds plenary meeting to discuss political crisis, Warsaw.

TOMORROW: Yugoslav hold protest meeting in Nisic, Montenegro, against plight of the unemployed and worsening economic crisis. Cambodia conference report expected from UN mission, Paris.

MONDAY: Central Statistical Office (CSO) publishes second quarter provisional figures for manufacturing and distributors' stocks; and for gross domestic product (output-based), Organisation of African Unity ad hoc committee on southern Africa meets at summit level in Harare, Zimbabwe, chaired by President Hafeez Mubarak of Egypt, to work out a joint OAU policy towards South Africa.

TUESDAY: July monthly figures from the building societies. Eight-nation African summit on Angola, Harare.

WEDNESDAY: CSO publishes its Pink Book - United Kingdom Balance of Payments 1989 edition. New construction orders in June from the Department of the Environment. Balance of payments current account and overseas trade figures for July from the CSO. House of Lords Select Committee statement on European Community's report on habitat and species protection in the Community. British Coal and mining unions discuss future of Marbury Vale and Ockfild collieries, Tredomen, Mid Glam.

THURSDAY: July figures for cyclical indicators for the UK economy from the CSO. Franco-German council (foreign ministers and central bank chiefs) starts two-day meeting at Lake Tegern in Bavaria to discuss economic situation and prospects, and prepare for IMF and World Bank meetings in Washington in September. Mr Poul Schuster, Danish Prime Minister, visits Mr George Bush, US President, at his summer home in Kennabunkport, Maine.

FRIDAY: June figures for engineering sales and orders at current and constant prices; and second quarter provisional figures for finished steel consumption and stock changes - both from the CSO. British Heart Foundation statement on publication of heart attack study. Edinburgh TV Festival opens (until August 23) with lecture by Mr Rupert Murdoch. Nine countries of Southern African Development Co-ordination Conference hold annual summit, Harare.

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or write to Classified Advertising, Financial Times, Number One, Southampton Bridge, London SE7 8NF.

BASE LENDING RATES

Bank	Rate %	Bank	Rate %	Bank	Rate %
ABN Bank	14	Credit Lyonnais	14	Bank of Westminster	14
Adair & Co	14	Com. B.S. East	14	Bank of Wales	14
Alm Invest	14	Co-operative Bank	14	Bank of Scotland	14
Alm Invest	14	Credit Agric. Ind. Fr.	14	Barclays Bank	14
Alm Invest	14	Deutsche Bank	14	Bank of Ireland	14
Alm Invest	14	Equity Bank	14	Bank of India	14
Alm Invest	14	First National Bank	14	Bank of Montreal	14
Alm Invest	14	French Foreign & Int'l Bank	14	Bank of Cyprus	14
Alm Invest	14	German Bank	14	Bank of Oman	14
Alm Invest	14	HSBC Bank	14	Bank of Pakistan	14
Alm Invest	14	Ind. Nat. Bank	14	Bank of Saudi Arabia	14
Alm Invest	14	Investment Bank	14	Bank of Singapore	14
Alm Invest	14	London Bank	14	Bank of Victoria	14
Alm Invest	14	Mitsubishi Bank	14	Bank of Yemen	14
Alm Invest	14	Paribas Bank	14	Bank of Zambia	14
Alm Invest	14	Paribas Bank	14	Bank of Zimbabwe	14
Alm Invest	14	Paribas Bank	14	Bank of Zimbabwe	14
Alm Invest	14	Paribas Bank	14	Bank of Zimbabwe	14
Alm Invest	14	Paribas Bank	14	Bank of Zimbabwe	14
Alm Invest	14	Paribas Bank	14	Bank of Zimbabwe	14

FIXED INTEREST

PRICE INDEXES	Fri Aug 18	Day's change	Thu Aug 17	Wed Aug 16	Tue Aug 15	Mon Aug 14	Year ago (approx.)	High	Low
British Government	118.73	+0.05	118.67	-	7.80	-	9.35	9.37	9.72
5-15 years	118.73	+0.05	118.67	-	8.64	-	9.05	9.05	9.42
Over 15 years	148.00	-0.03	148.04	-	7.97	-	8.99	8.99	9.19
Irredeemables	178.52	-0.09	178.61	-	7.32	-	8.29	8.29	9.14
All stocks	378.74	+0.86	378.46	-	8.39	-	9.47	9.47	9.64
Index-Linked	141.84	+0.89	140.91	-	2.26	-	2.76	2.76	2.94
Over 5 years	140.27	+0.34	139.93	-	2.61	-	2.87	2.87	3.18
All stocks	140.21	+0.32	139.93	-	2.61	-	3.25	3.25	3.62
Debt & Loans	114.99	+0.03	114.96	-	6.77	-	4.04	4.04	4.16
Preference	89.17	-	89.17	-	3.54	-	5.04	5.04	5.18

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Index No.	Friday August 18 1989					High and Low Index		Stock Completion											
		Index	Change %	Est. Change %	Est. Div. Yield %	Est. P/E Ratio	1989 High	1989 Low												
1 CAPITAL GOODS (207)	1812.97	+0.5	10.63	4.01	11.57	20.88	1087.75	1082.66	999.69	1112.42	1812.97	1810.70	775.54	3	1	1083.07	167	807	50.71	13/12/74
2 Building Materials (29)	1225.08	+0.4	12.33	4.38	10.69	26.47	1202.79	1212.34	1083.41	1287.14	1225.08	1225.08	939.06	5	1	1201.00	167	807	44.27	11/12/74
3 Contracting, Construction (37)	1588.23	+0.1	14.84	4.45	8.80	33.67	1584.25	1584.35	1295.79	1613.91	1588.23	1588.23	1468.51	3	1	1551.58	167	807	71.48	1/2/74
4 Electricals (9)	3018.94	+0.2	7.75	3.83	13.97	52.79	3013.90	2994.51	2993.56	3174.61	3018.94	3018.94	2290.36	5	1	3013.94	168	808	84.71	2/6/52
5 Electronics (30)	2281.55	+0.4	8.52	3.28	15.22	47.99	2272.32	2263.42	2259.92	2376.13	2281.55	2281.55	1776.44	3	1	2298.22	19/5	10/8	1229.81	1/10/85
6 Mechanical Engineering (56)	548.93	+0.2	9.82	4.83	12.43	10.58	547.98	546.13	545.00	584.59	548.93	548.93	406.34	3	1	558.85	28/7	8/8	45.43	3/1/75
7 Metals and Metal Forming (6)	527.84	+1.8	19.43	5.68	5.67	34.84	522.43	530.01	516.24	493.73	527.84	527.84	452.62	3	1	596.47	9/11/87		90.65	6/1/75
8 Motors (17)	368.78	+0.1	10.41	4.18	11.24	1.28	368.85	362.97	359.13	384.59	368.78	368.78	258.24	3	1	411.42	13/10/87		49.91	6/1/75
9 Other Industrial Materials (23)	1081.53	+1.5	8.38	3.73	14.38	34.02	1054.46	1035.55	1039.71	1132.41	1081.53	1081.53	811.63	5	1	1081.63	18/8	8/8	277.55	15/1/81
10 CONSUMER GROUP (16)	1378.29	+1.2	7.91	3.10	15.88	22.10	1361.68	1356.37	1341.43	1499.84	1378.29	1378.29	1016.74	3	1	1486.32	16/7	8/8	61.41	13/12/74
11 Brewers and Distillers (22)	1552.98	-	8.58	3.15	14.58	25.65	1522.94	1545.74	1515.43	1531.92	1552.98	1552.98	1112.42	3	1	1552.94	17/8	8/8	69.47	13/12/74
12 Food Manufacturing (20)	1281.82	+0.4	8.40	3.48	14.89	21.84	1274.45	1268.29	1274.96	1321.66	1281.82	1281.82	926.64	3	1	1232.66	14/7	8/8	59.67	13/12/74
13 Food Retailing (14)	2459.26	+0.8	7.51	2.91	17.40	38.32	2438.54	2425.83	2406.11	2478.75	2459.26	2459.26	1784.64	3	1	2489.26	18/8	8/8	64.25	11/12/74
14 Health and Household (14)	2404.54	+4.3	5.40	1.58	20.89	25.22	2406.19	2408.84	2407.59	2483.57	2404.54	2404.54	1778.20	3	1	2699.85	16/7	8/8	175.30	28/5/80
15 Leisure (33)	1777.80	+0.2	7.08	3.14	17.51	31.23	1774.22	1777.36	1751.95	1878.22	1777.80	1777.80	1346.22	3	1	1783.46	8/8	8/8	54.83	9/1/75
16 Packaging & Paper (15)	619.97	+0.3	8.50	4.09	13.56	9.63	617.89	617.98	611.71	631.84	619.97	619.97	523.00	3	1	739.48	16/7	8/8	43.46	3/1/75
17 Publishing & Printing (19)	2465.24	-0.2	8.22	4.31	15.68	68.95	2454.26	2465.24	2454.26	2554.71	2465.24	2465.24	1826.64	3	1	2465.24	1/10/87		65.08	6/1/75
18 Telephone Networks (2)	1141.32	+1.4	18.74	4.35	12.13	22.30	1125.10	1126.54	1089.83	1244.99	1141.32	1141.32	1062.43	3	1	1274.14	9/16	8/8	57.92	30/11/84
19 Chemicals (12)	1945.92	-0.2	8.43	3.09	13.46	29.84	1946.21	1939.51	1935.16	2001.86	1945.92	1945.92	1383.56	3	1	1995.54	11/7	8/8	68.89	6/1/75
20 INDUSTRIAL GROUP (16)	1255.12	+0.7	9.08	3.58	15.59	22.74	1246.03	1239.73	1236.63	1311.61	1255.12	1255.12	915.74	3	1	1258.86	16/7	8/8	99.81	13/12/74
21 Oil & Gas (14)	2128.91	-0.2	8.81	5.13	13.52	75.67	2128.12	2128.29	2128.29	2183.63	2128.91	2128.91	1725.48	8/8	8/8	2458.68	16/7	8/8	87.23	29/5/82
22 500 SHARE INDEX (800)	1328.41	+0.4	9.18	5.77	13.59	26.89	1326.39	1328.31	1310.71	1351.61	1328.41	1328.41	1002.81	5/1	1	1349.88	16/7	8/8	63.49	13/12/74
23 FINANCIAL GROUP (12)	883.23	+0.4	-	5.10	-	23.83	886.16	792.88	784.54	784.63	883.23	883.23	670.84	3/1	1	896.67	13/10/87		55.85	13/12/74
24 Banks (9)	816.47	+0.5	21.32	6.16	6.17	33.83	806.40	795.81	788.47	816.47	816.47	670.84	3/1	1	896.67	13/10/87		62.44	12/12/74	
25 Insurance (Life) (8)	1217.54	+1.5	-	4.91	-	29.86	1198.43	1198.73	1189.50	1265.95	1217.54	1217.54	933.96	3/1	1	1285.72	9/11/87		44.88	6/1/75
26 Insurance (Composite) (7)	650.47	-0.1	-	4.89	-	18.82	631.12	625.57	625.51	643.26	650.47	650.47	386.72	3/1	1	707.58	13/10/87		63.96	13/12/74
27 Insurance (Broken) (2)	954.28	+1.2	7.91	4.88	17.81	31.89	942.81	942.81	942.20	1017.22	954.28	954.28	716.68	3/1	1	1299.54	17/7	8/8	71.28	1/12/74
28 Merchant Banks (12)	372.34	+0.3	-	4.26	-	7.34	371.89	369.34	368.56	399.55	372.34	3								

INTERNATIONAL COMPANIES AND FINANCE

DSM doubles profits and names date of next issue

By Laura Raun in Amsterdam

DSM, the Dutch chemicals company which is being progressively privatised, yesterday unveiled doubled profits and said the offer price for the next one-third tranche of its shares would be announced between September 20 and 22.

In Dutch Government hands, early elections are being held on September 6 following the collapse of the Christian Democrat-Liberal coalition in May.

Operating margins shrank to 12 per cent in the second quarter compared with the first three months.

Evergo unit unveils HK\$922m rights issue

By Michael Murray in Hong Kong

CHINA Entertainment, the Hong Kong investment company which recently reported first-half losses of HK\$64.5m (US\$8.26m) because of provisions for stock market holdings, has announced a HK\$922m rights issue, the second big cash call from a company within the Evergo group in less than two months.

Last week China Entertainment announced that it had itself subscribed HK\$922m to take up 99 per cent of a rights issue from Superford Financial Holdings, comprising its own allotment and underwriting commitments for the balance, which was spurned by shareholders.

Management extends IEL offer

By Chris Sherwell in Sydney

THE management bid for control of Industrial Equity (IEL), the Australian arm of Sir Ron Brerley's New Zealand-based entrepreneurial empire, was yesterday expanded to a full A\$1.8bn (US\$1.4bn) takeover offer after objections from key shareholders.

The move came from Corama, a vehicle which is 75 per cent controlled by Mr Abe Goldberg, the Australian textile magnate, and 25 per cent by Mr Rod Price, IEL chief executive, and Mr Bill Lowenthal, its acting chairman.

IEL's principal operating asset is the Woolworths retail chain in Australia. Before Mr Price and Mr Lowenthal joined with Mr Goldberg, the group was due to be taken over by the Goodman Fielder food combine under a deal reached with Brerley Investments (BIL), IEL's parent.

Corama, because it will be heavily geared, will be expected to sell off its plans for IEL. Its principal bankers are Bankers Trust Australia and Citibank, which were said yesterday to be finalising the necessary finance.

ABN reports rise to Fl 351m

By Laura Raun in Amsterdam

ALGEMENE Bank Nederland (ABN), the biggest Dutch bank, yesterday singled out merchant banking and foreign operations as the prime cause of a 15 per cent rise in first-half net profits to Fl 351m (\$158.2m).

dividend is being increased to Fl 1.40 a share from Fl 1.35. Commission income, including merchant banking fees, jumped 22 per cent while earnings at Bank Mees & Hope, ABN's merchant bank subsidiary, surged 17 per cent.

rates are higher than long-term ones. Despite a greater volume of lending, domestic interest income was lower.

Canada Trustco plans US moves

By Robert Gibbins in Montreal

CANADA TRUSTCO, one of the country's two largest trust companies, plans to expand into the US by buying a sizeable but so far unnamed savings and loans company in the North-East.

Positive sales outlook expected to buoy Hoesch

By Our Financial Staff

INTERIM pre-tax profits rose 48 per cent at Hoesch, the West German steelmaker and engineer, which said yesterday: "Nearly all units will well into the second half."

per cent to DM1.98bn. Turnover in its industrial technology sector gained 21 per cent to DM1.81bn.

Canada Trustco plans US moves

By Robert Gibbins in Montreal

CANADA TRUSTCO, one of the country's two largest trust companies, plans to expand into the US by buying a sizeable but so far unnamed savings and loans company in the North-East.

Fletcher Challenge buys NZ farm lender

By Terry Hall in Wellington

FLETCHER CHALLENGE, New Zealand's largest company, is to pay a minimum of NZ\$650m (US\$21.7m) for Rural Bank's New Zealand Dairy Board, the government agency which is the main lender of mortgage finance to the farming sector.

The Federated Farmers bid also valued the bank at NZ\$650m. This offer was backed by Sir Ron Brerley's Brerley Investments as well as the New Zealand Dairy Board, the New Zealand Board and Farmers Mutual Insurance.

It is buying the bank on a pre-emptive multiple of only four at a time when interest rates are falling and a farming recovery gathers momentum.

ers and at March had loans worth NZ\$2.6bn. Fletcher has farm services business called Wrightson NMA, which provides short-term seasonal loans.

WORLD COMMODITIES PRICES

Table with multiple columns: SPOT MARKETS, COGODA €/tonne, COPPER €/tonne, SOYABEAN MEAL €/tonne, WHEATS €/tonne, RUBBER, COCAINE, SUGAR, COTTON, etc.

US MARKETS

Table with columns: GOLD, SILVER, PLATINUM, COPPER, ZINC, ALUMINUM, etc.

Chicago

Table with columns: SOYABEAN, WHEAT, CORN, etc.

New York

Table with columns: GOLD, SILVER, PLATINUM, etc.

INDEXES

Table with columns: REUTERS, SPOT, FUTURES, etc.

CURRENCIES, MONEY AND CAPITAL MARKETS

Table with columns for currency types (Sterling, Dollar, Yen) and various market indicators like 'Call' and 'Put' prices.

Table titled 'LONDON (CLIFFE)' showing market data for various currencies and commodities.

Table titled 'U.S. TREASURY BILLS' showing interest rates and market activity for different maturities.

Table titled 'FT WORLD TO WORLD CURRENCIES' providing exchange rates for various global currencies.

Table titled 'LONDON-TRADED OPTIONS' detailing call and put option prices for various assets.

Table titled 'AGAINST A BACKGROUND OF...' providing a detailed analysis of the FTSE 100 and market trends.

FOREIGN EXCHANGES Dollar loses momentum

THE DOLLAR relinquished some of the gains made earlier in the week as investors lacking any fresh incentive decided to take some profits...

Table titled 'C IN NEW YORK' showing currency rates for various international locations.

Table titled 'STERLING INDEX' showing the performance of the British pound against other currencies.

Table titled 'CURRENCY RATES' providing a comprehensive list of exchange rates for major world currencies.

Table titled 'OTHER CURRENCIES' showing rates for less commonly traded currencies.

Table titled 'FORWARD RATES AGAINST STERLING' detailing forward exchange rates for the pound.

Table titled 'MONEY RATES' showing interest rates for various financial instruments.

Table titled 'LONDON MONEY RATES' providing specific data on the London interbank market.

LONDON MARKETS

Table titled 'LONDON RECENT ISSUES' listing newly issued securities and their market performance.

Table titled 'FIXED INTEREST STOCKS' showing prices and yields for various fixed-income securities.

Table titled 'RIGHTS OFFERS' detailing rights issues and offer prices for several companies.

Table titled 'TRADITIONAL OPTIONS' listing prices for various traditional options contracts.

Table titled 'DIVIDENDS ANNOUNCED' listing companies that have announced dividend payments.

Table titled 'EURO-CURRENCY INTEREST RATES' showing interest rates for various Euro-denominated currencies.

Table titled 'EXCHANGE CROSS RATES' providing cross-currency exchange rates between major currencies.

Text block containing market commentary and news items related to the London financial markets.

WORLD STOCK MARKETS

US MARKETS (3pm)

Table of US stock market data including S&P 500, Dow Jones, and various individual stock prices and changes.

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INDICES

Table of various stock indices including Dow Jones, S&P 500, and regional indices.

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NEW YORK ACTIVE STOCKS

Table of active stock prices in New York.

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Table of active stock prices in New York.

NEW YORK ACTIVE STOCKS

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Small text at the bottom of the page providing additional market information and disclaimers.

WORLD STOCK MARKETS

AMERICA

Dow recoups lost ground after CPI report

Wall Street
AFTER some disappointment over the July consumer prices report, equity and bond prices on Wall Street recouped their morning losses and drifted without direction into the early afternoon, writes Annette Kolesar in New York.

"double witching hour" as August futures on the Major Market Index and options on the Standard & Poor's 100, two instruments heavily used by computerised programme traders, were both due to expire at the close of trading yesterday.

core inflation in the US economy was still running at about 4% to 5 per cent.
But after drifting down as much as half a point, bond prices recovered around lunchtime as traders argued that the market had become oversold.

The most important special feature continued to be the takeover bid for UAL. The airline advanced 86% to \$271 1/2 on reports that a leveraged buy-out consortium was being formed by British Airways in partnership with Morgan Stanley.

Canada
TRADING was sporadic in Toronto where stocks opened mixed but then retreated further by midday following the sharp fall on Thursday. Volume centred on few stocks and the gold index was the only one to make gains, rising nearly 6 points at midday.

EUROPE

Nervousness over dollar's strength creeps in

THE strength of the dollar caused some jitters yesterday, especially with bourses close to highs, and the week ended with more falls than rises, writes Our Markets Staff.

ceuticals after the success of AZT, the AIDS drug developed by Wellcome of the UK; and prospects for higher earnings on the dollar's strength.

fallen, one analyst said it would be wrong to read too much into a thin day's movements.

lower on the week. Volume was said to be much lower than Thursday's FF2.3bn.

opened lower on worries over the dollar's strength and Thursday's fall on Wall Street. The Credit Suisse index ended almost unchanged, slipping 0.1 to 665.9 for a 0.6 per cent decline since last week.

ASIA PACIFIC

Japan weak as Hong Kong slides

Tokyo
DISCOURAGED by the strengthening dollar, investors backed away from taking positions and the Tokyo market fell in this volume yesterday, writes Yutaka Mita in Tokyo.

hand, fell as the yen's weakness rekindled fears of higher interest rates. The Industrial Bank of Japan, a benchmark issue, fell ¥50 to ¥5,440.

was published saying that the UK Government was lifting regulations on the import of Japanese machine tools.

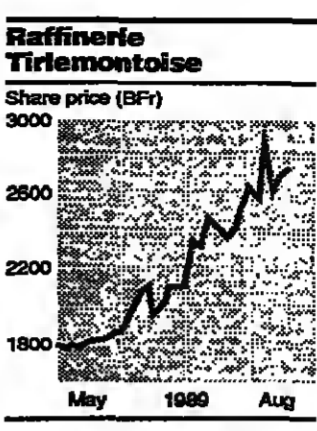
than a week ago. However, the broader market ended mostly lower, with falling stocks outnumbering rising ones by 166 to 112.

JOHANNESBURG'S all-share index rose 23 to 2,811, an all-time high, spurred by selective demand in thin trading.

The mystery of the sugar refiner occupies Brussels

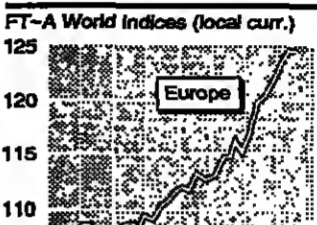
Tim Dickson on a touch of summer season intrigue

BRUSSELS, one sometimes feels, would almost not be Brussels without a good old seasonal Stock Market Whodunnit.



with an average European gain of 24 per cent - though a series of new highs this week and strong demand yesterday for Cockerill Sambre, the steelmaker, will have provided some much-needed encouragement for the bulls.

Size, though, is not the only ingredient of a good thriller, for what has made the RT story particularly puzzling is the 75.35 per cent stake apparently safely controlled by the family-owned parent company RT Holding.



The question now is whether Brussels can shake off its hangover in the second half - a point on which analysts are predictably divided.

Notwithstanding public assurances that the stake remains intact - and that no negotiations with third parties are under way - investors have doggedly chased the market price 60 per cent higher since the beginning of June and traded 3.5m of the company's shares along the way.

cash in their chips. Blood is not always thicker than water in Belgium and even those with short memories recall the more difficult in Belgium over the next few months.

He is one of many analysts disappointed by the outcome of the 1990 budget negotiations - just Bfr80bn of expenditure "cuts" leaving a deficit of Bfr405bn, or 6.5 per cent of gross national product.

INVESTMENT DECISIONS? NOW YOU CAN GET ALL THE ANGLES... STRAIGHTAWAY

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Investors Chronicle advertisement including a subscription form with fields for name, address, and payment details. It also features a 'FREE ISSUES WHEN YOU SUBSCRIBE TODAY' banner.

Table titled 'FT-ACTUARIES WORLD INDICES' showing stock market performance for various countries and regions from Thursday August 17, 1989, to Wednesday August 16, 1989. Columns include National and Regional Markets, US Dollar Index, Day's Change, Pound Sterling Index, Local Currency Index, Day's change % local currency, Gross Div. Yield, US Dollar Index, Pound Sterling Index, Local Currency Index, 1989 High, 1989 Low, and Year ago (approx).

LONDON STOCK EXCHANGE Dealings

Details of business done show below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange's TASI system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. † Bargains done the previous day.

Corporation and County Securities No. of bargains included 4 Greater London Council 9 1/4% Deb 90/82 - 228 1/2

UK Public Bonds No. of bargains included 1 Agricultural Mortgage Corp PLC 4 1/4% Deb 91/01 - 227

Commonwealth-Government No. of bargains included 1 Abbey National Building Society 1 1/4% Nts 1995 (Br2000) 1000000000 - 329

Foreign Stocks, Bonds, etc.—coupons payable in London No. of bargains included 15 Abbey National Building Society 1 1/4% Nts 1995 (Br2000) 1000000000 - 329

Registered Housing Associations No. of bargains included 1 Housing Finance Corporation Ltd 5% Deb 2007 - 240 1/2

Commercial, Industrial, etc. No. of bargains included 1534 A.C.Holdings PLC 1 1/4% Cum Div Lns 8/8

Sterling Issues by Overseas Borrowers No. of bargains included 1 American Medical International Inc 3 1/4% Cum Div Lns 8/8

Banks and Discount Companies No. of bargains included 3153 Australia & New Zealand Banking Corp 14 1/8% Deb 90/82 - 228 1/2

Registered Housing Associations (continued) No. of bargains included 1 Housing Finance Corporation Ltd 5% Deb 2007 - 240 1/2

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Banks and Discount Companies (continued) No. of bargains included 3153 Australia & New Zealand Banking Corp 14 1/8% Deb 90/82 - 228 1/2

Bridon PLC 2 1/2% Deb 90/82 - 227 1/2

British Aerospace PLC 7 1/2% (Net) Cum Div Lns 8/8

British Aluminium PLC 10 1/2% Deb 90/82 - 228 1/2

British Sugar PLC 10 1/2% Red Deb 90/82 - 228 1/2

British Telecom PLC 12 1/2% Subord Lns 8/8

British Waterways Board 12 1/2% Subord Lns 8/8

British Airways PLC 12 1/2% Subord Lns 8/8

British Gas PLC 12 1/2% Subord Lns 8/8

British Leyland PLC 12 1/2% Subord Lns 8/8

British Overseas Airways Corp 12 1/2% Subord Lns 8/8

British Telecommunications PLC 12 1/2% Subord Lns 8/8

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British Overseas Airways Corp 12 1/2% Subord Lns 8/8

BASE METALS The Financial Times proposes to publish this survey on: 2nd October 1989 For a full editorial synopsis and advertisement details, please contact: Edward Macquisten on 01-873 3300 or write to him at: Number One Southwark Bridge London SE1 9HL FINANCIAL TIMES

New 1989 peak for a sluggish market

THE LONDON equity market rounded off the first week of the extended Summer Bank Holiday trading account with a performance of interest chiefly to the statisticians. The market continued to move ahead, a 15 point gain taking the FT-100 index to a clear new 1989 peak of 2,375.1, but about two points of that gain represented Wellcome's massive advance on good news from the US on Retrovir, its anti-Aids drug.

Account Dealing Dates table with columns for dates and descriptions of trading periods.

successful recovery in the equity market, which was shaken on Monday by a spate of bearish warnings from brokerage houses and the press. It has become clear that the market owes a good deal to market-makers' price mark-downs and very little to genuine selling. Once again, the

managers of the big investment funds have demonstrated their reluctance to sell shares, or to allow the market to fall very far. The recovery in sentiment was helped yesterday by favourable news on domestic inflation, in the form of a rise of 8.3 per cent in the annualised inflation rate in July - a shade below market forecasts as well as the figure for the previous month.

closing minutes to finish at the day's best levels as Gilt steadied. The FT-SE Index ended the session with a net gain on the day of 15.1 points, closing comfortably above the previous 1989 peak of 2,360.4 reached last week. Over the week, the Footsie has put on 20.9 points. The all time high of 2,443.4, chalked up in the pre-Crash summer of 1987 now presents the next challenge.

neglected. Just over 4 per cent of the market's turnover was represented by activity in Wellcome shares after the news overnight that the US National Institutes of Allergy and Infectious Diseases consider Retrovir safer and more effective than previously believed.

Record price for Wellcome

Wellcome shares were ignited by the overnight news of further positive evidence from the US on the effectiveness of the company's anti-Aids drug Retrovir. The price soared in unknown territory as market-makers struggled to cope with buying from longer-term investors and sell orders from profit-takers.

Mr Steve Flagg and Mr Jonathan de Pass, the pharmaceutical team at BZW, celebrated the vindication of their long-standing support of the stock and said that it was "still not excessive considering the growth to come in 1991".

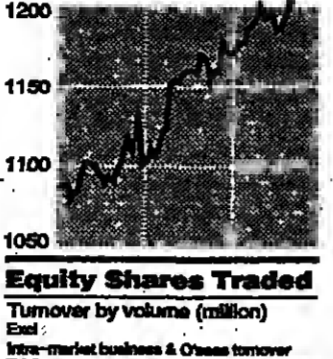
Mr Ian White at Kleinwort Benson said that the correct price for Wellcome was "at least 750p, there are so many bogus drug stories in the market that people are a bit sceptical when they hear a real one."

ping back to close unchanged on the day at 80p, with 3.4m shares traded. Plessey, a touch off at 289p, saw minimal turnover of 591,000, while GEC, although unchanged at 277p, recorded 2.5m shares.

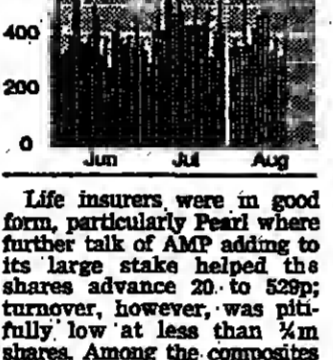
With the US Securities and Exchange Commission looking at the Hoyalake bid for B.A.T. Industries, and a number of other regulatory hurdles to be cleared, B.A.T. shares drifted easier. Mr Christopher Page of Citicorp Scrimgeour Vickers funds to buy but, whatever the outcome, he expects the offer to lead to a reappraisal of the investment merits of B.A.T.

Technical factors dominated in the metals sector as a widespread shortage of stock forced market-makers to push prices higher in search of business. Volume was modest with dealers reporting little trade at the higher levels. Midland gained the most from the squeeze, rising 10 to 389p on turnover of 2.5m shares, while Lloyds put on 4 at 389p and Barclays 2 at 323p.

FT-A All-Share Index



Equity Shares Traded



Life insurers were in good form, particularly Pearl where further talk of AMP adding to its large stake helped the shares advance 20 to 529p, turnover, however, was pitifully low at less than 1/4m shares. Among the composites Royal dropped 6 to 489p on consideration of Thursday's generally well-received interim figures.

shire which rose 11 to 384p. A late casualty was Wardle Stores, down 9 at a low for the year of 342p. Boots put in a strong performance, rising 7 to 255p and buoyed by the presence in the market of one large buyer. Dealers suggested it may have been Marston Asset Management (MAM) adding to its 10 per cent stake, a sign, they said, that some institutions are beginning to view the current bid for Ward White in a more favourable light.

Storeshouse, a poor performer in recent sessions, traded firmly on a broker's recommendation, the shares adding 3 at 137p on turnover of 2m. Mr John Williams at Citicorp Scrimgeour Vickers has published a buy note on the Storeshouse. "With hopes of a leveraged bid virtually dead, and disastrous profits and a dividend cut in prospect, potential investors need to look further out to put into perspective the intrinsic value in Storeshouse," wrote Mr Williams.

Tarmac, under pressure all week, regained some of the ground lost when the recent large seller showed reluctance to operate, but other quality building issues registered few changes. Secondary stocks showed Stanley Miller 16 higher 289p on what dealers described as speculative interest while US-listed Hatfield Estates jumped 10 to 185p. Ward Holdings went into reverse after a shocking set of interim figures and closed 10, down at 88p.

Property owned by Ransomes Sims is to be developed for industrial warehousing and the stock climbed 21 to 214p. Busy trade was reported in Stimson Engineering, down 4 at 411p, with the sellers getting the upper hand. The bid for United Biscuits enjoyed a late spurt, jumping 11 to 405p as one market-maker aggressively marked up his price. The lack of clear cause for the gains saw the price trimmed back slightly to close up 8p at 400 1/2p on turnover of just 1/4m shares.

William Low benefited from talk of a broker's upgrading and which left most dealers unimpressed. However, it was enough to send the shares sharply higher to 328p, a net gain of 84. One salesman said that Sir Ron Bierley, the New Zealand entrepreneur, may have been adding to his near 10 per cent stake.

Heavy turnover in the options and the underlying was again evident in Asda, where the market is still talking of an imminent overseas bid. The supermarket group's stock closed slightly higher at 200 1/2p, 9.2m shares changed hands during the session. A profit warning from Avon Rubber closed 51 off the share price which closed at 504p. Midweek talk of a presentation next week by British Steel to Japanese investors turned into unlikely suggestions of a stakeholder or even a bid from Tokyo. Nevertheless, the shares advanced 2 to 77p as a busy 3m shares were traded.

Much ado...

The disclosure that Plessey holds a stake of 2 per cent in the equity of Ferranti, the defence electronics group, excited speculation, but only for a short time, while intrigued by the revelation, the market burst off suggestions that the GEC/Siemens bid for Plessey might be challenged at this stage.

With the GEC camp sitting on 29.9 per cent of Plessey's equity and the rest of the shareholders waiting for their 27p cash payout, there's not much chance of Plessey trying to turn the table over at this stage," said one analyst. Sector specialists believe Plessey may have bought the Ferranti stake before GEC/Siemens re-bid, a defensive play blown out of the water when GEC increased its Plessey stake from 15 per cent to 29.9 per cent.

NEW HIGHS AND LOWS FOR 1989

Table listing new highs and lows for 1989 across various sectors like British Funds, Corporate, Financial, etc.

RISES AND FALLS

Table showing rises and falls for various sectors on Friday and over the week.

COMMODITIES

Although the position in Peru is more difficult to assess, the strike there has undoubtedly had a serious impact on production. The mine owners claimed only one in three miners had obeyed the strike call, while the Miners' Federation said support amounted to 95 per cent and was solid.

The LME cash copper price, which had ended last week at \$1,758.50 a tonne, reached \$1,815.50 a tonne on Thursday but retreated yesterday to close at \$1,796.50 a tonne.

WEEK IN THE MARKETS

A COMBINATION of short term supply worries and a reassessment of fundamental economic prospects have prompted a sharp rise in copper prices this week. Stoppages at important mines in Papua New Guinea (because of rebel sabotage) and Canada (because of a wage dispute) have been continued, while Monday saw the start of a national strike by Peruvian miners in support of demands for improved pay and conditions. In addition workers have threatened a stoppage at a Mexican mine and a "flashback" accident at a smelter in Arizona added to market concern over supplies.

On the economic front, meanwhile, clear signs that the US economy was in for a "soft landing" rather than recession helped to consolidate a profound change of mood in the metal markets.

Copper surges on supply worries

heavy compensation from CRA, the mine's operator, forced its closure back in May, but repair work has begun and the company said this week that the mine should be ready to resume operations at 75 per cent of its 180,000-tonnes-a-year capacity by the beginning of next month.

Mr Don Carruthers, the Botswana chairman, stressed, however, that "even if, after consultation with the security commander, we feel that it is safe to do so." At the moment that would appear unlikely. Botswana's island remains under a state of emergency and with the rebel leaders still at large an estimated 400 soldiers and 130 police are trying to quell the discontent.

LEADERS AND LAGGARDS

Table showing percentage changes since December 30 1988 based on Thursday August 17 1989 for various sectors.

BENCHMARK GOVERNMENT BONDS

Table showing benchmark government bonds with columns for coupon, red date, price, change, yield, week ago, and month ago.

FINANCIAL TIMES STOCK INDICES

Table showing financial times stock indices for Government Secs, Fixed Interest, Ordinary Share, and FT-SE 100 Share, with columns for dates and values.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks with columns for stock name, value, price, and change.

APPOINTMENTS

TURNRIGHT CONTROLS, Portsmouth, has appointed Mr Arthur Morris to the board as technical director. He was an executive engineer at Austin Rover.

Personal network chief at Cable & Wireless

CABLE & WIRELESS has appointed Mr John Carrington as managing director of its personal communications network subsidiary. He was director of British Telecom mobile communications.

Baring retail banking post

BARING BROTHERS & CO has established a Broadgate branch which will handle all custodial and retail banking. Mr J.M.S. Ekms has been appointed branch managing director, Mr K. Lee a branch director, and Mr T. Mackness an assistant director.

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Table showing S.E. ACTIVITY with columns for date and values.

Table showing TRADING VOLUME IN MAJOR STOCKS with columns for stock name, value, price, and change.

Table showing LEADERS AND LAGGARDS with columns for sector and percentage change.

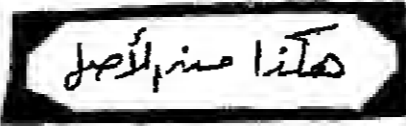
Table showing BENCHMARK GOVERNMENT BONDS with columns for coupon, red date, price, change, yield, week ago, and month ago.

Table showing APPOINTMENTS with columns for company name and appointment details.

Table showing COMMODITIES with columns for commodity name and price.

Table showing WEEK IN THE MARKETS with columns for market name and performance.

Table showing COPPER SURGES ON SUPPLY WORRIES with columns for market name and performance.



FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', 'GUERNSEY (ISB RECOGNISED)', 'LUXEMBOURG (ISB RECOGNISED)', and 'JERSEY (ISB RECOGNISED)'.

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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their prices, and performance metrics. Includes sub-sections like 'ISLE OF MAN', 'LUXEMBOURG', and 'OTHER OFFSHORE FUNDS'.

LONDON SHARE SERVICE

Table of London Share Service listing various British funds, international bank and overseas funds, and commonwealth/afican funds. Includes sub-sections like 'BRITISH FUNDS', 'INT. BANK AND O'SEAS', and 'COMMONWEALTH & AFRICAN FUNDS'.

LOANS

Table of Loans listing various building societies and their financial details.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails listing various international bonds and rail investments.

AMERICANS

Table of Americans listing various American stocks and financial instruments.

Money Market Bank Accounts

Table of Money Market Bank Accounts listing various bank accounts and their interest rates.

Money Market Trust Funds

Table of Money Market Trust Funds listing various trust funds and their details.

Latest Share Prices are available on FT Cityline. To obtain your free share Code Booklet ring the FT Cityline help desk on 01-225-2128

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for company name, price, and other financial metrics.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and roads related stocks with columns for company name, price, and other financial metrics.

DRAPERY AND STORES - Contd

Table listing drapery and stores related stocks with columns for company name, price, and other financial metrics.

ENGINEERING

Table listing engineering related stocks with columns for company name, price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial stocks with columns for company name, price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial stocks with columns for company name, price, and other financial metrics.

CANADIANS

Table listing Canadian stocks with columns for company name, price, and other financial metrics.

BANKS, HP & LEASING

Table listing bank, hire purchase, and leasing related stocks with columns for company name, price, and other financial metrics.

ELECTRICALS

Table listing electrical related stocks with columns for company name, price, and other financial metrics.

FOOD, GROCERIES, ETC

Table listing food, groceries, and other related stocks with columns for company name, price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial stocks with columns for company name, price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial stocks with columns for company name, price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit related stocks with columns for company name, price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and stores related stocks with columns for company name, price, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic related stocks with columns for company name, price, and other financial metrics.

HOTELS AND CATERERS

Table listing hotel and catering related stocks with columns for company name, price, and other financial metrics.

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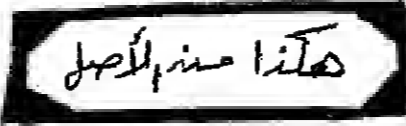
INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial stocks with columns for company name, price, and other financial metrics.

INSURANCES

Table listing insurance related stocks with columns for company name, price, and other financial metrics.

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LONDON SHARE SERVICE

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LEISURE

Table of share prices for Leisure sector including companies like Leisure Group, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Cont'd

Table of share prices for Paper, Printing, Advertising sector including companies like Newsprint, Printing, etc.

TEXTILES - Cont'd

Table of share prices for Textiles sector including companies like Textiles, etc.

TRUSTS, FINANCE, LAND - Cont'd

Table of share prices for Trusts, Finance, Land sector including companies like Finance, Land, etc.

OIL AND GAS - Cont'd

Table of share prices for Oil and Gas sector including companies like Oil, Gas, etc.

MINES - Cont'd

Table of share prices for Mines sector including companies like Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors, Aircraft Trades sector including companies like Motors, Aircraft, etc.

PROPERTY

Table of share prices for Property sector including companies like Property, etc.

TOBACCO

Table of share prices for Tobacco sector including companies like Tobacco, etc.

TRANSPORT

Table of share prices for Transport sector including companies like Transport, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector including companies like Overseas, etc.

THIRD MARKET

Table of share prices for Third Market sector including companies like Third Market, etc.

COMMERCIAL VEHICLES

Table of share prices for Commercial Vehicles sector including companies like Commercial, etc.

COMPONENTS

Table of share prices for Components sector including companies like Components, etc.

FINANCE, LAND, ETC

Table of share prices for Finance, Land, Etc sector including companies like Finance, etc.

MINES

Table of share prices for Mines sector including companies like Mines, etc.

PLANTATIONS

Table of share prices for Plantations sector including companies like Plantations, etc.

NOTES

Notes section providing details on share prices, dividends, and company information.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers, Publishers sector including companies like Newspapers, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather sector including companies like Shoes, etc.

SOUTH AFRICANS

Table of share prices for South Africans sector including companies like South Africans, etc.

TEXTILES

Table of share prices for Textiles sector including companies like Textiles, etc.

OIL AND GAS

Table of share prices for Oil and Gas sector including companies like Oil, Gas, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional & Irish Stocks sector including companies like Regional, etc.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, Advertising sector including companies like Paper, etc.

PROPERTY

Table of share prices for Property sector including companies like Property, etc.

TOBACCO

Table of share prices for Tobacco sector including companies like Tobacco, etc.

TRANSPORT

Table of share prices for Transport sector including companies like Transport, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector including companies like Overseas, etc.

THIRD MARKET

Table of share prices for Third Market sector including companies like Third Market, etc.

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FINANCIAL TIMES

Weekend August 19/August 20 1989

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Football enthusiast takes over top club

By Patrick Harverson

MANCHESTER UNITED, one of the world's most famous football clubs, has been taken over by an Isle of Man property company, in a deal which values the club at £20m.

Mr Martin Edwards, chairman and head of the family that has run the club for nearly 25 years, has accepted a £20 share offer for his 50.06 per cent stake from MK Trafford Holdings, a company run by property tycoon, Mr Michael Knighton. MK will also make an offer to the remaining Manchester United shareholders.

The sale of the club, which coincides with the start of the football season, is

quickly depreciating assets which cannot be recorded on a balance sheet. Tottenham Hotspur, the only quoted football club, incurs a loss of £287,000 in the first half of this year.

Costs are likely to be heavy. Mr Knighton has already pledged to spend £10m refurbishing the team's Old Trafford stadium. Much of the ground, the UK's largest besides Wembley, requires modernising and Mr Knighton has said he will rebuild the famous terrace on the Stamford End. The likely aim is to create an all-seater stadium to match the standards of the best continental European grounds.

Mr Knighton has acquired sporting prestige, however. Manchester United, the home of great players such as Bobby Charlton, Denis Law and George Best, is one of the world's best supported clubs and is a multi-million pound business.

Mr Knighton said yesterday after announcing the deal, which was signed on Thursday, that his first priority was to restore United to its position as the greatest club in Europe. "I consider myself to be a football enthusiast first and businessman second," he said.

The Edwards family look control of United on the proceeds of the profitable Manchester meat company, built up by Mr Louis Edwards, the present chairman's father. In the early years of Edwards control, when Sir Matt Busby was manager, United won the championship several times and became the first English club to win the European Cup.

Louis Edwards died in 1980 and after some initial success under his son Martin, the team has struggled in recent



Michael Knighton (left) and Martin Edwards at the club

seasons. That has led to a worrying fall in average attendance, putting under pressure the club's ability to fund the huge transfer fees now required.

The fall in attendances, together with signs of supporter discontent, probably persuaded Mr Edwards to sell his majority stake. In 1984 he had rejected a £10m takeover deal from Mr Robert Maxwell, the publishing magnate who is also chairman of Derby County. Mr Edwards will remain as chief executive and become vice chairman of the club. United supporters are likely to welcome the change of ownership, hoping

that it will herald a new era, beginning with today's opening League match against last season's champions, Arsenal. Mr Knighton is believed to have promised the team manager, Mr Alex Ferguson, even more cash to build a championship-winning team.

The new owner has a strong footballing pedigree. His great-grandfather, William Layton, was a member of Sheffield Wednesday's League Championship winning team of 1902, while Mr Knighton himself, 37, was once on the staff of Coventry City before injury ruined his fledgling career.



the highest takeover deal in the history of British football, dwarfing the previous largest, last year's £6m swoop on Glasgow Rangers by Mr David Murray, another Scots-born businessman.

Football is not regarded as one of Britain's great investment areas. A season's gate receipts can be wiped out by one transfer deal, and players are

Wellcome shares rise by 32% after safety report on drug against AIDS

By Rachel Johnson and Daniel Green in London and James Buchan in New York

SHARES in Wellcome, the UK pharmaceutical company, rose by 32 per cent on the London stock market yesterday after overnight news that the company's anti-AIDS drug AZT is safer and more effective than previously thought.

AZT, better known by its trade name Zidovudine, is now likely to be made available to millions of carriers of the AIDS virus who have not developed symptoms of the disease.

Wellcome shares touched a peak of 695p before closing at 673p, a rise of 164p on the day. The company is now capitalised at £5.68bn, which puts it in the top dozen UK companies by market value.

The latest study by the US National Institute of Allergy and Infectious Diseases suggests that the drug can improve the prospects for millions of people who are infected with the virus but show no symptoms of the disease.

Burrhoughs Wellcome, the US subsidiary of Wellcome, said yesterday that it would apply for permission from the US Food and Drug Administration in Washington to administer AZT to patients who have no symptoms. Until now, AZT has been licensed only for those with full-blown AIDS.

It can take up to eight years for a new drug to pass through clinical trials, but the FDA has streamlined approval procedures in view of the urgency of the AIDS epidemic.

The British medical community yesterday gave a reserved welcome to the promising results of the latest US trials, while cautioning that important details about the drug's dosage levels and long-term side-effects had not yet been made available for assessment.

The British Medical Association said the results were something to applaud. "It is the first time there is a real prospect of slowing down

the rate of the spread of the virus," said Dr John Dawson, of the BMA.

The Terence Higgins Trust, the AIDS charity and pressure group, said the trial held "important news," but advised people against rushing to have AIDS tests. "There is still no cure for AIDS, and discrimination is still attached to anti-body testing," said Mr Nick Robinson, of the Higgins Trust.

Doctors in the US say the study should help to break down the reluctance many people at risk feel towards undergoing the AIDS test. Wider testing has been seen as a way of curbing the spread of the disease.

AZT is an expensive treatment, which has cost up to \$2,000 (£810) a year to administer to patients. Some doctors have found it hard to gain reimbursement for the treatment of symptomless patients from insurers such as the US Medicaid programme.

Thursday's endorsement of early treatment from government researchers should change this just as the prospect of lower dosage should reduce the price.

There was still concern in the UK that the high cost of treating all carriers would inhibit the drug's availability on prescription, although the new data suggests a price of \$2,750 a year (£1,751) for new low-dose daily doses.

AZT is available on prescription in the UK to those with AIDS or AIDS-related complaints - 2,471 at the latest Government count - but not to the estimated 50,000 who are HIV positive with no symptoms.

Wellcome would need UK Government approval before being able to widen its application. Hope for breathing space, Page 7; Market report, Page 15; Worldrug, Weekend section, Page 11.

Wellcome hits the jackpot

Despite the 32 per cent surge in Wellcome's shares yesterday, the price may well be justified. Retrovir is finally established as a very remarkable drug indeed, commercially as well as scientifically.

In size it could well rival Zantac, the biggest of them all. The parallel is instructive. At yesterday's price, Wellcome is on around 85 times this year's earnings. Glaxo's multiple peaked at around that level back in 1983, when Zantac's development was similar to Retrovir's now. Glaxo's price then was around 45p; it is now 157p.

The sums for Retrovir are fairly straightforward. In three years' time, asymptomatic carriers of the AIDS virus in the US and Europe will total perhaps 2.5m. Suppose some 20 per cent are aware of their condition, and take the drug. The present price is \$2,750 a year (£1,751) for a daily dose of 500 mg. Suppose the price comes down to \$2,000, or \$5.50 a day. Resulting sales are \$1bn. Add in AIDS and ARC patients, and the figure could well be nearer \$1.5bn sterling.

It is also likely that the latest findings will lead off competition. Alternative drugs like DDC and DDI are in principle very similar to Retrovir and are being developed in hopes that their side-effects might prove less severe. But it has now been established that in 500 mg doses in healthy patients, Retrovir has virtually no side-effects at all. Meanwhile, a vaccine still looks to be some five years away, and an actual cure, if it ever comes, is more remote again.

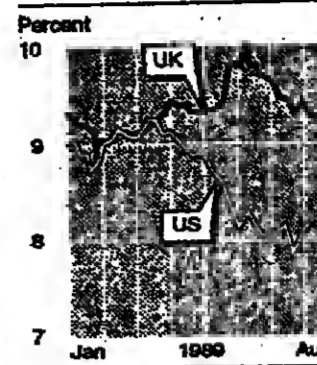
On a more cautionary note, it is hard to conceive of any further good news on the drug's performance than to be prescribable for all those infected and the absence of side-effects means no one has a motive for not taking it. Except, of course, for the purchase price. These days, \$2,750 is not unusually high for a year's treatment for a life-threatening disease; but as Wellcome's profits soar, that argument may look increasingly threadbare.

Markets

The equity market has got stuck. Had it not been for yesterday's miracle cure from Wellcome, the FT-SE would have ended the week just about where it started, having been marched down and back up again by market makers in a vain attempt to get the institutions to do something. As there has been no new and pressing reason to sell, they

FT Index rose 4.0 to 1978.0

Long bond yields



This week's jump in building society mortgage arrears should be a warning signal for the authorities. Real pain is now being felt in the housing market and next week's building society figures will be watched more than usually closely.

The major mortgage lenders did not respond to the May rise in UK base rates, with the result that mortgage rates are at least half a point lower than they should be. The worry now is that the building societies will eventually be forced to raise their rates in order to maintain their competitive position in the savings market. The longer base rates remain at current levels the more likely this will be.

Although mortgage rates are still 1 1/2 percentage points below their 1979/80 peak, average UK house prices will grow by 5 per cent at best this year. A decade ago the figure was more like 30 per cent. Similarly, tax relief is far less important than it once was, since average house prices have risen 2 1/2 times in the interim.

Admittedly, the UK is not in the midst of a severe recession and real incomes are still rising. But unless another mortgage rate rise can be averted, house prices look set to fall in nominal terms. If this happens on a large scale the impact on consumer confidence will be far more severe than any stock market crash.

Gateway

Now that the Gateway compromise has been struck, the cost to Newgateway can be assessed. It will receive £76m, and will spend a further £30m or so on buying more of the business units. Adding in costs, the consortium will have spent up to £106m for a 40 per cent share of whatever profits remain at the end of the buy-out exercise. Wasserstein Perella professes confidence that the return on its half-share will meet its normal criteria; for A&P, there may also be the chance to buy into the UK retail market.

The methods used are another matter. Perhaps, as the Takeover Panel says, it cannot be established whether any Gateway shareholders were disadvantaged. Newgateway could also argue that even if it tricked some people out of taking the stub, it paid 10p more for it than associates were offering. But the bad taste lingers, all the same.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dms)		PARIS (FFvs)	
Riese	1050 + 24	Elfes	598 + 4
Col. Varrich	592 + 7	Sandof	1021 + 11
Leifheit	427 + 12	Felle	
Rhalmetal		Bencaire	665 - 39
Fella		Imobiquous	720 - 30
Dagwerk	310 - 11	Parier	1088 - 12
Porsche	830 - 7	Sagom	1468 - 20
Verein-West	452 - 6		
NEW YORK (\$)		TOKYO (Yen)	
Georgie Gulf	53 1/2 + 7 1/2	Hyden Trading	1270 + 100
Maytag	23 + 1 1/2	Taihei Paper	790 + 80
Texas Air	18 1/2 + 3 1/2	Teljin Seiki	1600 + 140
UAL	27 1/4 + 3 1/2	Felle	
Fella		Asahi Concrete	1080 - 80
Bard (C.R.)	20 1/2 - 1 1/2	Shintom	4750 - 280
Cilcorp	31 1/2 - 1/2	Telto	1240 - 50

New York prices at 12.30.

LONDON (Pence)		RANSOMES	
FT-SE	484 + 14	Rothmans	214 + 12
Boots	295 + 7	670	670
Ewart	142 + 22	Sime Darby	110 + 6
Greycoat	542 + 7	Utd. Biscuits	400 1/2 + 9 1/2
Hatfield Est.	153 + 10	Wellcome	673 + 184
Laporte	508 + 13	Yorkshire Chem.	384 + 11
Low (Wm.)	328 + 34	Felle	
Midland Bk.	382 + 10	Avon Rubber	524 - 51
Miller (Stan)	238 + 13	Kunick	108 - 10
Pearl Grp.	529 + 20	Ward Hids.	83 - 10
Priest Mariani	535 + 21	Western Motor	78 - 30

WORLDWIDE WEATHER

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Algeria	28	10	Partly	London	18	10	Partly
Alexandria	28	10	Partly	Madrid	22	10	Partly
Amman	28	10	Partly	Moscow	18	10	Partly
Bahrain	38	10	Partly	Paris	18	10	Partly
Bangkok	32	10	Partly	Rome	22	10	Partly
Bombay	32	10	Partly	Sydney	22	10	Partly
Buenos Aires	22	10	Partly	Tokyo	22	10	Partly
Calcutta	32	10	Partly	Washington	22	10	Partly
Cairo	28	10	Partly	Zurich	18	10	Partly
Canton	28	10	Partly				
Chicago	22	10	Partly				
Copenhagen	18	10	Partly				
Colombo	28	10	Partly				
Hankow	28	10	Partly				
Hong Kong	28	10	Partly				
London	18	10	Partly				
Lyons	18	10	Partly				
Manila	28	10	Partly				
Medan	28	10	Partly				
Perth	22	10	Partly				
Rangoon	28	10	Partly				
Seoul	22	10	Partly				
Singapore	28	10	Partly				
Taipei	28	10	Partly				
Tientsin	22	10	Partly				
Yokohama	22	10	Partly				

C-Cloudy, D-Drizzle, F-Fog, H-Hail, R-Rain, S-Sunny, B-Storm, S-Snow, T-Thunder, W-Wind, X-Variable, Y-Yellow, Z-Zigzag

Argentina and Britain agree agenda for talks

By Janet Bush in New York and Gary Mead in Buenos Aires

BRITAIN and Argentina have agreed to formal talks in Madrid, where the two countries are hoping to restore diplomatic relations.

The talks, to take place on October 17 and 18, and the agenda for them were agreed after two days of negotiations in New York, and were announced yesterday. The New York talks were described as a "real breakthrough" by Sir Crispin Tickell, Britain's United Nations representative.

Both sides agreed to meet without prejudice to the positions on each side on sovereignty over the Falkland Islands, South Georgia, the South Sandwich Islands and the surrounding maritime areas. Sir Crispin said it had not been decided who would represent Britain in Madrid, but said that the talks were to be held at top official level.

The agenda will include seven topics - measures to build confidence and avoid incidents in the military sphere; trade and financial relations; communications links by air and sea; fishery conservation and future co-operation on fisheries; contacts between the Falkland Islands and the continental mainland; cultural, scientific and sporting relations; other bilateral matters.

Although the Madrid meeting will be the showpiece of the talks, most of the work will be done beforehand. Sir Crispin said that the idea of direct talks had been mooted by Mr Carlos Menem, Argentina's new President.

Poland Continued from Page 1

a policy his colleague, Mr Mazowiecki will soon have to adopt.

Today will see the first efforts of the internally-warring Polish United Workers' Party - the country's communist party - to pull itself together and face a new era, when the plenum of its central committee meets in Warsaw.

Some of the bitterness felt by party activists was evident yesterday when, at a meeting of the Warsaw executive, a member objected violently to Solidarity's "demagoguery" and said: "The situation should not be presented as one which threatens our political system (socialism) - and the geopolitical realities (the Soviet Union) not be ignored."

Eagle Trust Continued from Page 1

relinquished by Mr Ferriday, who was Eagle's chief executive between March 1987 and June 1988, and Mr Smith, Eagle's current managing director. In addition, Hi-Lo Engineering, a company controlled by Mr Smith, has been put into voluntary liquidation.

Eagle's shares have been suspended since May when Iroquois Brands, a US conglomerate chaired by Mr Malcolm Stockdale, acquired a 15 per cent stake. Mr Stockdale subsequently became chairman and ordered an investigation by Peat Marwick into the group's accounts.

Chimber found

A teenage climber, missing since Thursday in 20-knot winds and hill fog on Ben Aldrich, north-west Scotland, was found alive. An RAF helicopter and mountain rescue team had joined the search.

CHILE'S Central Bank will be largely independent of a future civilian government under a law approved by the country's military. The bank will have powers to set monetary and exchange rate policies.

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Weekend FT

SECTION II

Weekend August 19/August 20, 1989

Next Wednesday, the 50th anniversary of the Molotov-Ribbentrop Pact, will stir huge anti-Russian demonstrations in the Baltic states and Moldavia. Edward Mortimer describes how the Pact was seen at the time and why it is still such a sensitive issue

"He expected his country to go to war in a week, for the wrong reasons or for no reasons at all, with the wrong allies, in a pitiful weakness. But now, splendidly, everything had become clear. The enemy at last was plain in view, huge and hateful, all disguise cast off."

That was the reaction of the English Roman Catholic hero in Evelyn Waugh's *Men At Arms* to the news which broke at midnight on August 21, 1939, and "shook the politicians and young poets of a dozen capital cities": the news that the German Foreign Minister, Joachim von Ribbentrop, was flying to Moscow to sign a non-aggression pact.

Perhaps Guy Crouchback's feelings were shared by others, but they were not expressed widely at the time. The prevailing sentiments, other than those expressed by the German and Soviet rulers themselves and the media they controlled, "were shock and dismay. Shock, because it seemed such a complete reversal of policy by both countries, perceived hitherto as implacably hostile to each other. Dismay, because the Pact was obviously designed to give Hitler a free hand against other countries, and specifically against Poland.

So much was immediately clear to everyone in Europe - everyone except those unfortunate people, like the poet Louis Aragon, editor of the French Communist newspaper *Ce Soir*, who for the previous five years had striven tirelessly to convince the Western democracies that they must make common cause with Stalin against Hitler. For such people the fact that all their efforts had been in vain was too painful to be faced at once, and they took refuge in hailing the Pact as a brilliant stratagem to foil the alleged conspiracy by the "men of Munich" to encourage Hitler to attack Russia.

Minister, gloated over Poland's demise: "There was one swift blow to Poland, first by the German Army and then by the Red Army, and nothing was left of this ugly offspring of the Versailles Treaty which had existed by oppressing non-Polish nationalities". He applauded Germany's efforts for peace and condemned Britain and France for waging "an ideological war on Germany reminiscent of the religious wars of olden times". ("One may accept or reject the ideology of Hitlerism as well as any other ideological system - that is a matter of political views. But everybody should understand that ideology cannot be destroyed by force, that it cannot be eliminated by war.")

The former Polish territory now occupied by the Red Army was incorporated into the Soviet republics of Ukraine and Byelorussia. Meanwhile the three Baltic states - Estonia, Latvia and Lithuania - had been obliged to accept Soviet bases on their territory while, significantly, the people of German descent living in those states were moved to Germany. Later, immediately after Hitler's victory over France in June 1940, all three states were occupied by Soviet troops, their governments forced to resign and new pro-Soviet governments formed.

In July Soviet-style elections were held in all three countries, with a single list of "peasants", workers and soldiers' candidates". The new National Assemblies then voted unanimously in favour of the union of their countries with the USSR, while most of the former political leaders who had not fled abroad were arrested. This forcible annexation of the Baltic states was not (and never has been) accepted as valid by Britain or the US, but Germany made no difficulties except about one small area of Lithuania. And when Russia gave an ultimatum to Rumania, demanding the immediate cession of Bessarabia and northern Bukovina, Germany firmly advised the Romanians to give in.

All of this was so clear and public by July 1940 that there was no longer anything very secret about the now-famous Secret Protocols attached to the Pact and the Treaty. Even if those protocols had never come to light, the line taken by apologists for Stalin after 1941 - and by some Soviet spokesmen even today - would have been easy to refute by reference to the historical record. According to this line the Pact was something forced on Stalin by the refusal of the Western allies to join him in defending Czechoslovakia in 1938, and by their dilatoriness about concluding a military alliance in 1939: Stalin had to act as he did or risk finding himself



The significance of the Secret Protocols

isolated in a war with Germany for which the Soviet Union was far from ready.

In reality Molotov was much nearer the truth when he said, in that speech of October 31, 1939: "We have consistently striven to improve our relations with Germany, and have wholeheartedly welcomed similar strivings in Germany herself. Today our relations with the German State are based on our friendly relations, on our readiness to support Germany's efforts for peace, and, at the same time, on the desire to contribute in every

way to the development of Soviet-German economic relations to the mutual benefit of both states."

According to one leading expert on the period - Dr Hartmut Pogge von Strandmann of University College, Oxford - the Pact was not such a radical departure as it seemed at the time. Stalin, he says, had always been keen to improve relations with Germany both before and after Hitler came to power. Dr Pogge has found in the Krupp archives evidence that as early as 1934 Stalin had asked the German ambassador in Moscow, Rudolf

Nadolny, to try and get Hitler to remove the anti-Russian passages from *Mein Kampf*. The ambassador, hesitating to approach the Führer directly on such a delicate matter, enlisted the good offices of Gustav Krupp von Bohlen, who apparently did broach the subject. But Hitler, not surprisingly, declined.

Of course, Russia and Germany had an interest in helping each other ever since 1919, as the defeated powers in the First World War and victims of the Versailles settlement. As early as April 1920 the Siemens archives record a

remark by Leonid Kresin, the Soviet trade commissar. To the effect that a corridor through Lithuania would be needed for Soviet-German exchanges but "the best thing would be for Poland to disappear".

Russia looked to Germany for technology, and especially for weapons, while Germany valued Russia as an export market and above all as a source of raw materials. The latter aspect may well have been the dominant motivation in 1939.

Earlier efforts at economic co-operation had languished not for ideological reasons but because Russia lacked foreign exchange, and Germany had been unwilling to accord large-scale credits. But in 1939 Germany could not contemplate a full-scale European war without securing regular oil supplies. The Polish campaign probably could have been fought without Soviet oil, but the defeat of France in 1940 depended on it crucially. Germany also secured thousands of tons of copper - purchased by the Russians from Canada (which presumably was unaware of their true destination) and shipped across Russia on the trans-Siberian railway.

If Stalin had really believed he was buying time to prepare for war with Germany he would surely not have approved these valuable contributions to Hitler's war machine, which continued until the very eve of the German attack in June 1941.

But these of course were not facts he wished to be reminded of thereafter, and some of them remain acutely embarrassing to the Soviet leadership even now. Perhaps most embarrassing is the fact that under the Secret Protocols the three Baltic states were allocated to the Soviet "sphere of interest". The contention of the nationalist movements which now hold sway in all three Baltic republics is that by declaring the Protocols null and void *ab initio* (as it is apparently now preparing to do) the Soviet government will also be delegitimising the forced incorporation of the three states into the Soviet Union which followed from it. That in turn leaves open the question of the "demographic and political realities" resulting from the past 50 years of Soviet occupation, including the rights of the large Russian immigrant communities - the issue on which Estonia is now at loggerheads with Moscow.

No less awkward, though so far less publicised, is the issue of Moldavia, formerly Bessarabia. The third article of the Secret Additional Protocol to the Pact states: "With respect to south east Europe, the Soviet side emphasises its interest in Bessarabia. The German side declares its complete political disinterest (*Desinteressement*) in these territories." It was that clause which allowed Stalin to annex Bessarabia from Rumania in June 1940. It then became the Soviet Socialist Republic of Moldavia, was subjected (like the Baltic states) to the full panoply of Stalinist terror, and was endowed with a "Moldavian" language, which in fact is simply Rumanian written in Cyrillic script.

It too now has a "Popular Front" which is demanding, not reunification with Rumania (hardly an inviting prospect under President Ceausescu) but virtual independence, a return to Roman script, a halt to

Russian immigration and, most awkwardly of all, the return of territories detached by Stalin from Bessarabia and handed over to neighbouring Ukraine, which has no desire to hand them back. An explosive cocktail combining all the ingredients of the various ethnic and national conflicts with which the Soviet Union is now plagued.

Hence the long and bizarre controversy over the Secret Protocols, whose existence is only now being officially admitted in the Soviet Union for the first time, although their authenticity has never been doubted by Western historians, of whatever political views, since they first came to light in 1945.

It is true that the original German text of the Protocols (which effectively partitioned eastern Europe into German and Soviet "spheres of interest") was destroyed during the war. That makes it something of a red herring. The microfilm which did survive, during his visit to Moscow last year should have told Gorbachev the Soviet leader, that the originals were in the West German archives. This claim was made by Gorbachev himself, with a rather sheepish half-apology to the Chancellor for breaking his supposed confidence, in an off-the-cuff speech to the Congress of People's Deputies on June 1 this year, when he intervened to support the proposal for a commission of inquiry. He added - looking for confirmation to his foreign minister, who replied with a barely audible "Yes" - that the Soviet Foreign Ministry had then sent representatives to Bonn, but (surprise, surprise) "the originals were not to be found there, either."

It is interesting that visit of the Soviet diplomats to the archives in Bonn was not reported in the West German media, and that the West German government has made no comment on the matter. But the issue of the German originals is something of a red herring. The microfilm which did survive, the war includes many other unquestionably authentic documents, and would probably have been more difficult to fabricate than the documents themselves. Moreover, among the original documents which do survive are numerous references to the Secret Protocols, both before and after they were signed.

There is also a large map in full colour, originally attached to the Border and Friendship Treaty of September 28 1939, which traces the new Soviet-German frontier across Poland, and bears the signatures both of Ribbentrop and of Stalin himself.

Stalin's signature is in blue pencil, as is the frontier line itself, except for a short distance near the town of Lemberg (Lwów) where Ribbentrop has corrected it in red and Stalin has countersigned the correction, as one does when correcting a cheque. Apparently there was rumour to be all in this region. Uncle Joe had tried to help himself to a lucrative little extra slice of Polish territory, but was caught at it.

Guy Crouchback had no pretensions to statesmanship. But it is surely hard to fault his moral sense. [Additional research by James Blitz]

The Long View

Holmes, the great detective, returns

Being a further continuation of the reminiscences of John H. Watson, M.D., late of the Army Medical Department.

It was in the summer of '89 that I observed that my friend Sherlock Holmes was taking an unusual and uncharacteristic interest in financial matters. So much so, indeed, that he began to neglect his normal devotion to the detailed coverage of the Daily Telegraph in favour of regular perusal of the Financial Times.

On one particular morning he became increasingly excited, and began to pace up and down the room. Eventually he appeared to come to a conclusion, then thrust the FT into my hand. "Well, Watson," he demanded, "what do you make of that?"

He indicated a story describing movements on the financial markets. "Why, Holmes," I replied, "it appears that the dollar has become peculiarly strong, and the US Treasury bond market likewise." "Precisely," said he, "and yet the American balance of payments remains weak. The twin deficits are only being very gradually eroded. It is exceedingly strange." His expression became solemn. "I fear that we are seeing the results of a very great conspiracy, which may yet have grave consequences for us all. It could indeed amount to the greatest act of theft in all history."

a different kind of intelligence at work - perhaps, indeed, not a single mind at all, but a kind of... consensus."

"The central puzzle," he went on, "concerns the question of the currency losses which are being suffered by Japanese investors on their dollar bond holdings."

"Aha!" I countered triumphantly, "you are surely out of date! There have been no such losses - not in '89, anyway. The dollar has appreciated by more than 12 per cent against the yen this year!"

Holmes paused for a moment to light his pipe, then spoke. "You are indeed correct, my dear Watson," he exclaimed. "But you miss my point. The puzzle is precisely that there have been no losses."

He produced a Japanese statistical handbook. "You will remember that the previous important year for substantial Japanese private sector investment in foreign currency bonds was '86," he said. "In that year alone new purchases reached over \$100bn, more than 70 per cent denominated in US dollars. Yet after the Plaza accord of the previous October the yen was inevitably going to appreciate substantially against the dollar."

Holmes drew thoughtfully on his pipe. "It has been calculated," he continued at length, "that Japanese investors suffered currency losses equivalent to many tens of billions of dollars during the next two years."



What might have been just another Moriarty plot appeared, to Sherlock Holmes, to be something a great deal more sinister

"In theory that should have dissuaded them from further investment. But the Japanese Ministry of Finance appears to have had quite different ideas. Its officials must have been desperate to prevent further depreciation of the dollar. That may have seemed an improbable objective, given the obvious

and severe trade imbalances being suffered by the US economy. But it is the only explanation which fits all the known facts."

"Even so, the Japanese investment institutions proved reluctant to respond, and dollar bond purchases declined. Or at least, they did until this year. Now, however, buying of Treasury bonds has become so extraordinarily powerful that the long bond rate has fallen to 8 per cent and the dollar has appreciated sharply."

"Do you see the logic behind this? The first attempt to shore up the dollar was only partly successful, and inflicted heavy losses on Japanese investors. But now our plotters have learned from their mistake. This time, the dollar is appreciating to keep the Japanese institutions happy."

"My dear Holmes," I exclaimed, "what kind of infernal Oriental scheming are you hinting at? If what you say is true, the dollar will rise to levels at which it will cause the ruination of the American economy. Without foreign tourists, Disney World will go out of business."

"Precisely," he replied. "In particular, penetration of the American markets will become ever easier for foreign manufacturers. And there is more besides. Although it may be true that for the time being the fall in American bond rates has encouraged a stock market boom, in due course the reality of falling profits will become evident. The value of compa-

nies in America will fall, and our determined group of conspirators will be able to buy them up cheaply."

"And yet, some clues still escape me. To rely on tempting Japanese institutions with dollar gains seems inadequate. For the investor, whether in the West or the East, greed is a powerful motive, but it is fear that is the overriding one, especially fear of political and economic instability."

At that moment there was a knock at the door. Our landlady Mrs Hudson appeared with an envelope, which Holmes seized eagerly. On his reading the enclosed message, his countenance appeared first puzzled, then strangely flushed and elated.

"It is a note from my broker, Watson," he explained. "It appears that another Japanese prime minister has resigned through scandal. This can be no coincidence. Everything is beginning to fall into place."

Sherlock Holmes laid down his pipe. "My deductive methods lead me to conclude that the conspiracy has gone further than even I had supposed. When you have eliminated the impossible from an investigation then whatever is left, however improbable, must be the truth."

"I was shopping around for the lowest mortgage rate. John Charcol offered me a basket of currencies?"

All foreign currency mortgages offer temptingly low interest rates. Sadly, most offer correspondingly worrying exchange rate risks. John Charcol's European Currency Unit mortgage should prove to be rather less extreme.

The interest rate is still tempting enough - currently just 10.25% variable (11% APR.)

But for two important reasons, the exchange rate risk should be lower.

First, as a "basket" currency with a significant sterling component, the ECU has proved more stable against the pound than most individual currencies.

(In fact, every year since the ECU was reweighted, in 1984, your interest rate savings would have more than offset any depreciation of sterling.)

And second, if you ever think the pound's prospects look unstable, you can switch into sterling at any time, without penalty, at just 48 hours' notice.

In our view, if you earn over £20,000 and you need up to 65% of the property's value, you might usefully consider an ECU mortgage - whether you're moving, or just paying too much on your current mortgage.

Start considering it now. For written details, call John Charcol, a licensed credit broker, on (01) 589 7080. Or write to FIMBERA at Mercury House, 195 Knightsbridge, London SW7 1RE.

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MARKETS

Finance & the Family: This Week

PEPS: the big opportunity that shouldn't be missed?

Personal equity plans are now considered to be a "good thing" for investors and many financial advisers say they are an investment opportunity that shouldn't be missed. New schemes are launched every week and you can use them for a wide variety of things - even paying school fees. It's all a far cry from 1986 when the scheme was launched and greeted with universal scorn. John Edwards surveys the progress of PEPs and looks at their future. Page III

Mortgage arrears on the rise

A growing number of home-owners are facing the crunch from rises in mortgage interest rates over the past year, and are falling into arrears. From the lenders' point of view, trying to cope with this situation has become the dominating feature of the mortgage market in 1989. Page IV

Measuring the risk factor

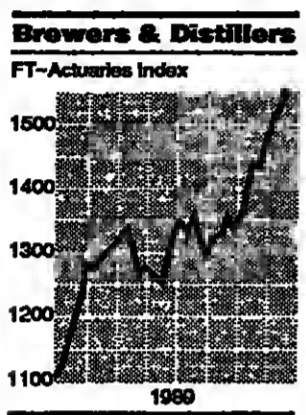
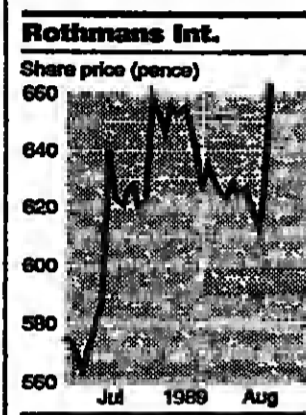
In the post-crash world, unit trust investors have become much more aware of risk. But a new measuring tool introduced by the Micropal statistics service could prove useful for rating the 1,300 trusts now available according to risk. Page V

The lure of 'phantom' options

The takeover of the Gateway food stores chain has put the spotlight on an increasingly popular form of employee benefit known as a "phantom" share option. But how does the scheme work? Page V

EXPATRIATES: Horse, unseated home Page IV

BRIEFCASE: Your questions answered Page V



Brewery sector makes ground

The brewery sector, already boosted by takeover speculation in Scottish & Newcastle, made further ground on the stock market this week after a front page story in the press highlighted bumper summer sales of wines, spirits, beer and soft drinks. Although there was nothing new in the story, it reinforced the market's view that the spell of hot weather should have a significant favourable impact on company earnings in the sector. Analysts also believe that the restructuring of the domestic beer market in the wake of DTI-imposed reforms will improve the market rating of leading stocks like Bass, Whitbread, Allied Lyons, Grand Metropolitan and Guinness. Patrick Harverson

Market boost for Rothmans

Growing realisation of the asset strengths and earnings' potential helped shares in tobacco group Rothmans to sparkle in the stock market this week. A rumour that one of the two major shareholders (US tobacco giant Philip Morris and Swiss group Richemont) was preparing to sell out to the other was discounted by City analysts, who were quick to point out more fundamental reasons for Rothmans' rise. These included good recent results from overseas associates in Australia and Malaysia, the London listing of Philip Morris, continued recovery in tobacco profits, favourable exchange rates, and a recognition of the value of the group's luxury goods interests in Dunhill and Cartier. P. H.

More mortgages for women

Women today account for a larger chunk of the mortgage market than 10 years ago, according to a survey from the Nationwide Anglia Building Society. The survey reports that the proportion of the building society's borrowers who are women has increased from 13 per cent in 1978 to 20.7 per cent in 1988. And whereas a decade ago 63 per cent of the loans made to female customers went to single women, last year 71 per cent were made to that group. The average price of properties bought by women has increased by 275 per cent in the past 10 years (compared with 257 per cent for men) even though the average annual income for women has risen by less than for men - in other words, by 157 per cent against 172 per cent. Sara Webb

Annual reports face the axe

The glossy annual reports so familiar to shareholders may become a rare sight from next year. Listed companies will no longer be required by law to send them out, but will be able to send summary financial statements - perhaps running to just one sheet of paper - instead. All shareholders will be able to request the full version free of charge. The Department of Trade and Industry is now seeking views on whether shareholders should be able to obtain full reports, and what the summary versions should contain. The matter has an important bearing on the way companies communicate with their shareholders. This will be your last chance to influence the government's thinking on the subject. Write to DTI, Companies Division, Room 519, 10-18 Victoria Street, London, SW1H 0NN. Comments by October 31. Richard Waters

LONDON

Footsie is boosted by star performers

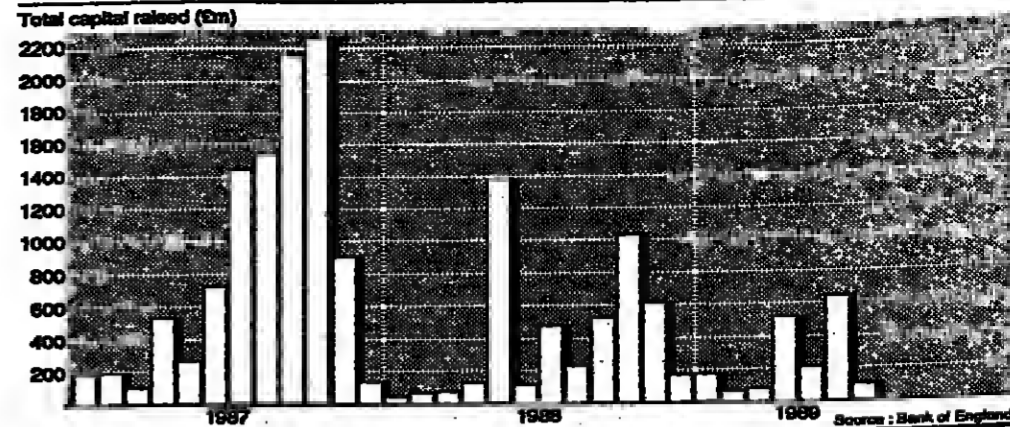
THE NEAR-unanimity of market analysts last weekend that equities were due for a dramatic correction to the summer's ebullient advance - with some more excitable brethren talking in hundreds of points - perhaps made it inevitable that the FTSE-100 would end the week at another post-crash high. A correction did come on Monday, when the index fell 28.3 points, but all of the decline had more - was made up quickly made up. Footsie ended the week with a net 20.9-point advance to 2,375.1

Was this a case of crying wolf or was it only a reprieve? By the end of the week, analysts were still wary of the sustainability of the strong run - and confident that their warnings would eventually be vindicated. But the wider comparisons with the summer of 1987

had evaporated. The market got timely support throughout the week from a slew of UK economic statistics which came in on the positive side of expectations, and from a US trade deficit of \$3.2bn in June, the lowest monthly figure in five years. At home, seasonally adjusted retail sales volumes fell by 0.6 per cent from June to July. As the annual growth in manufacturing output slowed to 4.5 per cent, manufacturers' fuel and raw material costs declined and output prices rose by only 0.3 per cent. At the retail level, the year-on-year inflation rate dipped to 5.2 per cent last month. The fall in average earnings growth to 9 per cent in June, from 9.25 per cent in May, was greeted as fleeting good news since it did not reflect the recent rush of pay settlements.

Statistics aside, Footsie was helped by star performers within its ranks. Acting the role of Horatius at the bridge on Monday was BTI, buoyed in the red tide by speculation about its future relationship with the US leveraged buy-out specialist Kohlberg Kravis Roberts, and about what financial schemes chairman Sir Owen Green might be pondering. BTI added 11p to 465p on Monday, one of only five Footsie shares to rise that day, and finished the week at 484p. On Friday, it was Wellcome's turn. It shot up 164p to 673p after a second US government study within weeks pointed to the efficacy of AZT, or Retrovir, in the early stages of Aids. If conventional wisdom is true, one straw in the wind that the market might be nearing a peak was a rush of rights issues. Queens Moat Houses, the hotelier, led the way with a £141m cash call to fund its UK expansion without taking on starting debt. The issue was the fourth-largest this year and the biggest since RTZ's £486m in May. It helped to raise the total so far to £2,710m, against £2,440m at the end of August 1988. Also going to shareholders were Laird Group, the sealing systems and engineering company (for £35m), and Explara Holdings, the Newfoundland limestone miner (for £2.15m).

Rights Issues



Less happily, shareholders of two troubled retailers, MFI and Debenhams, also found themselves being asked to cough up more cash, or face dilution of their equity. Both companies, burdened by debt from leveraged buy-outs in 1988, unveiled long-awaited retrenching packages. But a more sanguine perspective on retailing came from W.H. Smith's full-year results, even though its 27 per cent increase to £88.7m pre-tax was flattered by a much larger contribution from property profits than in 1987-88.

In the same sector, Boots bought sufficient Ward White shares to raise its holding to the maximum permitted 29.9 per cent. The defence estimated interim profits of £34m and the two sides squabbled over a DIY survey, but there appears to be every chance

that Ward White's Philip Birch will be on his bike when the £900m takeover bid closes on Tuesday. Elsewhere on the bids front it was a quiet week between Hoylake's offer document and BAT Industries' riposte next Monday. What little action there was in this £13.5m battle centred in the US where the Securities and Exchange Commission said it was studying whether it had any jurisdiction.

General Electric Company and Siemens renewed their assault on Plessey, with an offer document which cast doubt on the smaller electronics group's prospects of maintaining its independence. Having quietly built up a 2 per cent holding in defence sector rival Ferranti International Signal, Plessey might have come to a similar conclusion without embracing its Anglo-German saviour. GEC also outlined the details of its European collaboration with General Electric of the US, on terms altered considerably from the blueprint published when GEC bought takeover speculation earlier this year.

Tiphook and Stena increased their bid for Sea Containers to the maximum permitted 29.9 per cent. The defence estimated interim profits of £34m and the two sides squabbled over a DIY survey, but there appears to be every chance

the losing Newgateway consortium accepting Isoceles' offer and agreeing to take additional shares. Mearns' Hanson sold its first bundle from Consolidated Gold Fields: most of the latter's stake in Gold Fields of South Africa, for £366m. Two leading composite insurers reported declines in interim pre-tax profits. Royal dropping 22 per cent to £119.6m and General Accident falling 13.5 per cent to £126.5m. The latter announced a raft of executive promotions, including Nelson Robertson as general manager-director.

Mistaking from the list was the prime architect of GA's ill-starred move into New Zealand, which accounted for first-half losses of £29.8m. A fortnight after the Big Four classes set the pace in Third World debt provisions, Standard Chartered came along with its own £208m writedown on problem loans which pulled the bank into a £48m pre-tax loss of the interim stage.

Standard used the occasion to unveil a recovery plan, which included reducing overheads. British Telecom had happier news, lifting pre-tax profits by 4 per cent to £566m in the first quarter despite a squeeze on margins.

Clay Harris

HIGHLIGHTS OF THE WEEK

	Price 23/7/89	Change on week	1988 High	1989 Low	
FT-SE 100 Index	2375.1	+20.9	2375.1	1782.8	Satisfactory economic data.
Bass	1118	+41	1120	793	Buoyant drinks sales.
Body Shop	470	+58	474	240	Inv. demand & shortage of stock.
Euro. Home Prods	176	-23	294	167	Interim trading profits sharply down.
Gen. Accident	1010	-45	1055	898	Half-year profits fall more than 13%.
ICI	1269nd	-52	1347	1012	Fears of bulk chemical downturn.
Priest Mariani	535	+42	536	398	Spec. over ex-chairman's 25% stake.
Rothmans	670	+50	670	425	Possible break-up candidate.
Stough Estates	365	+30	404	294	Hopes of NH American/European bid.
Sotheby's	1875	+337	2050	544	Bid talks. Good art market.
Tarmac	289	-18	374	228	Large seller operating.
Tiphook	500nd	+26	536	415	Raised bid for Sea Containers.
Wellcome	673	+150	695	400	US trials back anti-AIDS drug.
Western Motor	788	+151	828	530	In MBO talks.
Yale & Valor	360	+22	360	307	Williams Hilda. Increases stake.

WALL STREET

Investors cast off their bonds

2,440 - a level it had reached late in April when long-term interest rates were still above 9 per cent. In the next five weeks, however, the Dow jumped 11 per cent to last week's peak of 2,733. It managed to do this without help at all from the bond market, where long rates stayed stuck around 8 per cent. There was nothing very surprising about this behaviour, despite the widespread belief on Wall Street that equity and bond prices have to march in lockstep. For there are two quite separate forces that can drive equity prices upwards.

'There could easily be another surge in equity prices'

Falling interest rates can raise stock prices by making dividend yields and price/earnings ratios more attractive in relation to the returns available from fixed interest investments. This is the kind of valuation-driven bull market that Wall Street most enjoys. It tends to push up the stock prices of companies with very reliable growth records and good prospects of resisting the economic slowdown usually associated with declining interest rates. Such steady-growth companies may already be valued very highly and enjoy P/E ratios well above the market average. At present, for example, companies like Coca-Cola, Disney and Procter & Gamble all are trading at P/E ratios of around 20 times, against a market average of 14. During a period of declining interest rates, however, these high P/E stocks remain popular both with analysts and investors for there is always the hope that the market's general attitude to "reasonable" valuation levels will become more liberal as interest rates continue to fall. An altogether different type of market rally can occur when

analysts had forecast previously. This is the situation in which many US industrial companies find themselves now, with General Motors, Dow Chemical and Alcoa all trading at P/E ratios of around six while Bethlehem Steel and Ford languish at a P/E of only five.

In sharp contrast to a valuation-driven bull market, a rally led by cyclical companies like these will tend to respond positively to good news on economic growth and might be relatively immune to bad news on inflation. In other words, the equity market's internal dynamics will be very different from those of the bond market. Wall Street generally is much more sceptical about a cyclical market rally than one which is powered by falling interest rates. One reason for such scepticism is a very bad one - the stocks that lead cyclical rallies tend to be, by definition, the ones that investors have shunned recently because they misread the economic outlook.

Unfortunately, there is also a sounder reason for caution. A cyclical rally that happens at the end of a very long period of economic expansion is likely to signal the end of a business cycle. Eventually, this late-cycle burst of economic growth will lead to rising inflation and will be stifled by a renewed tightening of monetary policy. However, given the present attitude in Washington to growth and inflation, it could be well into next year before such tightening becomes a serious threat.

	28/7/89	-04.07
Monday	2877.52	-04.07
Tuesday	2887.75	+05.23
Wednesday	2885.29	+05.54
Thursday	2872.53	-12.26
Friday		

Anatole Kaletsky

JUNIOR MARKETS

Storm signals over profits

THOSE WHO enjoy seeing the mighty fallen should keep tabs on some of the junior markets' most glamorous shares. A recent string of profit warnings shows that even the highest-profile companies have not escaped the strains of rapid expansion and the economic slowdown.

Last week, there was bad news from Parkway, the press production services group, which was voted Unlisted Securities Market company of the year in a contest organised by the USM Magazine in March. This week, it was the turn of Savage, the DIY product group which was a runner-up for the award last year. The past fortnight also has seen profit warnings from Mayborn, a consumer products group, and Forvair, a specialist plastics manufacturer. As a result, the number of formal profit warnings from USM companies this year has now reached a grand total of 14. When these are added to the number of downgraded profit forecasts by analysts and downbeat statements at annual meetings, it seems that the autumn reporting season could be a rather depressing affair.

The trick, then, is to spot those companies which seem able to shrug off worsening economic conditions. High gearing, a dependence on UK sales, inexperienced management and exposure to vulnerable sectors such as retailing and house-building are all traits that should perhaps be avoided. Another common cause of problems is recalcitrant acquisitions. Many of the companies that have produced profits warnings recently are prone to at least one of these problems. For example, Savage Group, which said that this year's pre-tax profit would be only slightly higher than last year's

£7m, is suffering from high interest costs and a slowdown in sales. This is attributed to higher interest rates, the slowdown in the UK housing market and the hot weather, which has kept people out of the DIY stores.

Parkey, which has gearing of more than 100 per cent, also is suffering from higher interest rates and a slowdown in sales. This is attributed to higher interest rates, the slowdown in the UK housing market and the hot weather, which has kept people out of the DIY stores.

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Wonder drug puts Wellcome in the big league

IF YOU bought Wellcome shares on flotation in 1986, the value of your investment would have increased more than five-fold. Much of the gain has come in the past fortnight as two US studies on the effectiveness of Wellcome's anti-Aids drug, Retrovir, have come down firmly in its favour. Retrovir probably will be administered to patients who have the Aids virus but do not show symptoms of the disease. There could be up to 50 times as many people in this category as actual Aids sufferers as it can take between two and eight years for them to develop the full-blown disease after infection, and many more for them to die.

Unpleasant though these statistics are, they mean that there will be a lot of Retrovir users who will have to take the drug for a long time. This means that Retrovir is likely to be one of the world's biggest-selling drugs of the next decade, and Wellcome will be thrust into the realm of the world's top pharmaceutical companies.

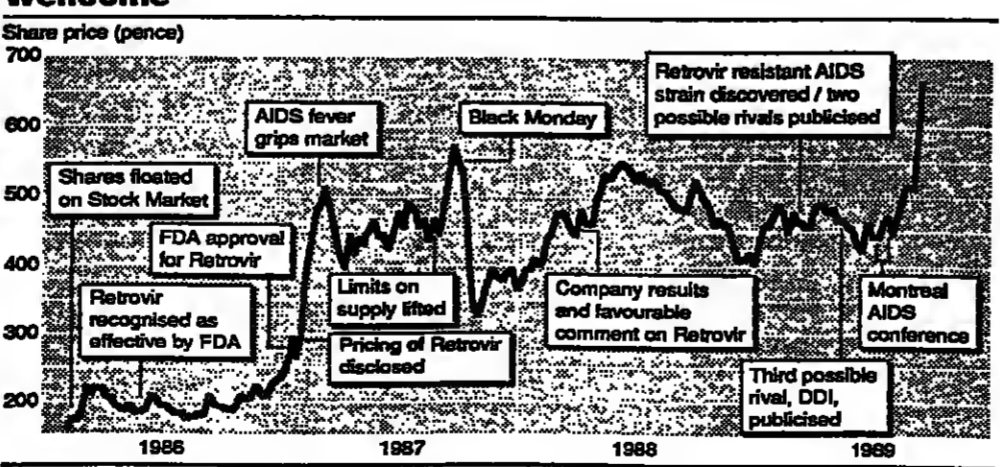
The blockbuster drug is the Holy Grail of the pharmaceutical industry. Investors might remember

Glaxo shares selling for less than 50p in 1980. Now, they cost more than £15, largely thanks to the anti-ulcer drug Zantac, the world's best-seller, which brings in more than £1bn a year in revenues. Even inflation-adjusted, Glaxo shares have improved 12-fold in value this decade. While such statistics excite the market, Wellcome is not home and dry. Revenues from drugs are hard to predict. For one thing, both the price and dose of Retrovir are likely to fall. And Aids might not be spreading beyond high-risk groups as quickly as once feared.

In the City, sceptics point to the inherent untrustworthiness of a one-product company. In fact, Wellcome does have other products - the anti-herpes drug, Zovirax, entered the top 30 sellers in 1987 - but must remain vulnerable to competition.

Things look good of the moment because there are no serious rivals to Retrovir in prospect (its nearest competitor is more likely to be used in conjunction with it). However, the urgency of the Aids problem in the US has forced regulatory authorities to

Wellcome



streamline the approvals process. It is conceivable for a compound discovered today to be on the market within three years. If that were to happen, then Retrovir could be the shortest-lived blockbuster drug of all time. A more significant possibility, as far as investors are concerned, is of a flood of new stock onto the market.

Some 75 per cent of Wellcome shares are owned by the charitable Wellcome Trust. To keep its charitable status, the trust must retain control of the plc. In principle, this means it could almost double the number of shares in circulation by

floating off another 25 per cent of the company. Since even views of the stock concede that some of the price rise has been a result of a shortage of stock in the market, such an issue would put downward pressure on the price initially. In practice, the Wellcome Trust is unlikely to reduce its

holding to less than about 60 per cent. Below that level, the possibility of issuing new shares - in employee incentive schemes, for example - might dilute the Trust's holding to below the critical level. Some in the City think any share sell-off is unlikely. The alternative, if the Wellcome trustees want to see more cash come from the success of Retrovir, is to ask the board of the plc to increase dividends paid to shareholders. After Friday's sharp rise in the Wellcome share price, now might not be the best moment in which to invest.

Steve Flag and Jonathan de Pass, the pharmaceuticals team at securities house Barclays de Zoete Wedd, have long been the most bullish of City analysts on Wellcome. They say that at around 70p the stock is profit-taking from more speculative investors, pushing the price down. For investors prepared to stay true for the longer run, though, Flag and de Pass are sticking with their view that Wellcome is a good home for your money.

Daniel Green

Vanessa Houlder

FINANCE & THE FAMILY

John Edwards explains why many advisers think personal equity plans are good for investors
All you ever wanted to know about PEPs

PERSONAL equity plans (PEPs), the tax-free schemes introduced by the government to encourage wider share ownership, are now generally considered to be a "good thing" for investors, following the radical changes made in this year's Budget. Indeed, many financial advisers claim that they are an investment opportunity which should not be missed, especially since it seems unlikely that PEPs would survive if the Conservatives lost the next election. In other words, buy now while (Tory) stocks last.

There is an estimated potential market of 5m investors for PEPs. Certainly the range of PEP schemes has broadened; new ones are launched virtually every week; there are PEP mortgages (even the mighty Halifax agrees that they are an acceptable vehicle for repaying home loans); and they are touted as ideal schemes for paying school fees and for providing additional tax free "pensions".

This is a far cry from 1986, when the scheme was first announced in the Budget and greeted with almost universal scorn. Sales of PEPs were disappointingly low initially and the whole scheme was in danger of becoming an embarrassing flop for the Government. It was rescued from oblivion by the changes made in this year's Budget which seemed to make the scheme a more attractive option for investors and the sellers of PEPs, without altering the basic concept very much.

The tax-free concessions are still confined to any profits made, and there is no relief on money going in, as with pensions. The main beneficiaries of the PEP tax concessions are the wealthy who pay the top rate of income tax and earn sufficient profits to use up their annual capital gains tax exemption of £3,000.

Although PEPs were intended to help widen share ownership, they do not offer a great deal in the short term at least for standard rate taxpayers who have no liability to capital gains tax. The savings on tax-free dividends do not amount to much, especially with low yielding shares.

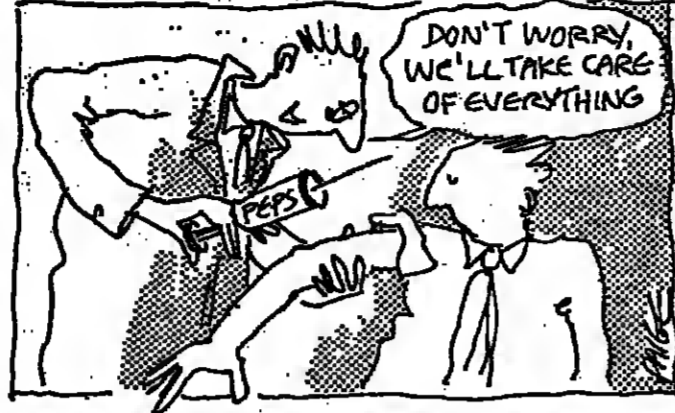
However, PEPs are a lot more attractive than they were previously, because in the last Budget the following changes were made:

- the maximum that could be invested was raised from £3,000 to £4,000;
- the percentage that could be put into unit or investment trusts was increased from 25 to 30 per cent of the total;
- many of the rules and regulations that made the original PEPs so costly to run were removed; and
- the money invested no longer has to be locked away for a minimum period of a calendar year and a day.

Now, in theory, you can invest one day and take the money out the following day. The only restriction is on the amount you can put in annually - i.e. £4,000. Once you have put any money in, that counts against the £4,000 even if you take it out the next day.

A complication arises during the transitional period this year because the old-style 1989 calendar year PEPs (with a maximum investment of £3,000) are still available at the same time as the new-style 1989/90 fiscal year PEPs (with a maximum investment of £4,000). By taking out an old-style PEP first and then a new-style PEP you can invest up to a total of £7,000. From January next year, all existing old-style PEPs will be merged into new-style funds.

Another important innovation is that the tax-free concession applies to dividends paid out to investors, not just to those reinvested in the fund. So investors can use PEPs as a



vehicle for receiving gross dividends and they do not have to be declared to the Inland Revenue. Neither do any capital gains made.

The ability to take out your money when you like, to receive tax-free dividends, and to invest a lot more than previously.

'If you believe shares are a good long-term investment then PEP funds have to be considered.'

ously has obviously made PEPs much more attractive. In addition, the removal of most of the rules and regulations has also reduced the costs incurred by plan managers, so charges have fallen.

The increase in the amount that can be invested in stand-

Plans for investors to choose

CHASE de Vere Investments, a London-based intermediary, has compiled a list of about 160 new-style PEPs offered by 90 plan managers from which private investors can choose. As the total is growing almost daily, selection can be difficult for individuals.

The main point is to go for groups with a good performance record in the UK, since PEP investments are confined mainly to London market shares. You should bear in mind that PEPs are a different animal from normal investment funds because of the restrictions on the amount that can be invested and the emphasis on London shares.

Most managers offer only discretionary PEPs, where they make the decision about which shares to buy and what proportion should be placed in unit or investment trusts.

There are about 40 unit trust-only PEPs, several of which are managed by groups with a top-class UK investment record. However, the maximum you can invest in a stand-alone unit trust or investment trust PEP is £2,400. So, if you want to invest more, either now or later, you should check if the company also is offering a share PEP that could be used for topping-up to the maximum amount of £4,000. Several unit trust groups, however, are offering share

new issues, either exclusively or together with other shares, although you have to place the shares in the scheme within 80 days of allocation. The government concession was believed to have been made with forthcoming privatisation issues in mind so that small investors would be encouraged to hold onto their shares.

One new restriction introduced in the Budget was that PEP unit or investment trusts must have at least 75 per cent of their holdings in qualifying UK shares, so the percentage that can be invested abroad is even more limited than before. Since most of them do not meet the 75 per cent qualification, investment trust groups have been very slow to jump on the PEP bandwagon.

As a special concession, primarily to the investment trust industry, the Government decided to allow up to 27.5 per cent to be put into a trust which doesn't meet the 75 per cent rule. However, if you do that the rest of your investment has to be invested in UK shares.

There is another problem. If you do invest in a unit or investment trust PEP, you may be disqualified from using your full £4,000 entitlement. That is because you are only allowed to use one PEP plan manager each year, and if that manager is only offering a unit trust version (such as M & G does) then you are stuck with the maximum limit of £2,400. So if you want to invest the

full £4,000 you have to go to a group that is either offering a unit trust and share PEP, or simply a PEP investing entirely in shares.

With share PEPs, investors used to check other points. For a start, charges vary enormously. Some managers have an initial (entrance) cost, an annual management fee based on the value of the fund, and dealing costs. It can be an expensive way to buy shares so you should look carefully at the total costs.

Second, there are restrictions concerning the amount you can put in. Some managers insist on taking the maximum amount, while others will take smaller lump sums or even monthly savings. Because of the relatively small amounts involved, many managers limit the number of shares that can be included in a PEP portfolio. Even if they don't, the minimum dealing commission charges make it impracticable to buy many shares.

It is an old adage that tax savings alone are not a good enough reason for choosing an investment, and PEPs are no exception. Tax free does not mean risk free. If anything, there is a higher element of risk with PEPs than with a normal share portfolio because of the limits to the amount that can be invested to achieve a good spread and the forced concentration on London market stocks.

If you are considering taking out a PEP, your first decision should be whether you want to be in shares. If you want to invest in a UK unit trust, it seems silly not to take advantage of the tax concessions.

Share PEPs have less obvious attractions, unless you are able to pay capital gains and top rate income taxes. While a tax exempt fund should perform better, the extra costs and restrictions may offset a lot of the tax benefits.

If you believe that shares are a good long term investment, then PEP funds have to be considered. The provision of tax-free income in future years is an obvious attraction for those nearing retirement, while PEP mortgages have a lot to commend them (they are not as tax efficient as pension mortgages, but they are a lot more flexible and less expensive than both pension and endowment mortgages, if slightly riskier).

be careful. Often, the choice is limited to a specified number of shares or a category, such as Alpha or FIVE 100 Index stocks. In many cases, you can choose unit or investment trusts as well, up to the maximum of £2,400. Charges vary widely although you tend to pay more for choose-your-own schemes. Normally, when there are no initial charges there tend to be higher annual management fees or "hidden" costs.

CHASE de Vere provides its list of PEPs next week. You can order a copy (cost £4.50) either by ringing the operator for Freephone PEP Talk or by telephoning the company on 01-404-8766.

FS Assurance on course to change status

FS ASSURANCE, one of Britain's smallest life assurance companies, comfortably cleared the first obstacle on the course to giving up its mutual status and becoming a life assurance and unit trust arm of the Britannia Building Society.

Policy holders this week voted overwhelmingly in favour of demutualisation at an extraordinary general meeting in Glasgow, where FS is based.

Only 11 out of 114 people present voted against the change.

The chairman, Dr Calum MacLeod, had more than 8,600 proxies in his pocket, of which 95.3 per cent were in favour of demutualisation, although that was less than a third of the 34,000 policy holders entitled to vote.

The procedure for converting FS from a mutual into a wholly-owned subsidiary of Britannia involves obtaining the approval of the Court of Session (the Scottish high court) in Edinburgh.

At least one opponent of the deal plans to mount a challenge at that stage, which is likely to be in the autumn. There are a number of critical speeches at the EGM this week.

If the deal goes through unscathed, Britannia will pay a total of £1.4m for the assets of FS. People who hold with-profits policies will share the sum of £1.75m, which is being paid for the goodwill of the company.

They will receive this in the form of a bonus on their policies, to be paid when the policies mature.

The remaining £12.25m is to be paid into the policyholders' fund of the new Britannia Life.

It will be credited to individual FS policyholders according to a complex formula. This sum is said to represent the "embedded value" of the company.

The demutualisation of FS is of interest to more than the 34,000 people who hold policies with the company for two reasons: for a start, FS

is the first mutual to change its status in recent times, and it is also the first time that a mutual life assurance company is being acquired by a building society.

Other mutuals are watching closely because they too may decide to take the same path - a path which FS has chosen because it believes that with the decline of the independent financial adviser, it will find business hard to come by without a sizeable distribution channel.

The critics say that FS is being sold too cheaply. The most prominent among them is Colin McLean, a former deputy general manager of Britannia. He believes that FS could have held out for a higher price and questions whether the valuation takes full account of the improvement in FS's portfolio caused by the 30 per cent rise in the stock exchange this year.

McLean also challenges FS on its decision to exclude holders of assured growth policies from a share of the bonus being paid to with-profits policy holders.

At the extraordinary general meeting he claimed that the deal amounted to a distress sale of FS. The Glasgow company's expense ratios had deteriorated as a result of salary increases for staff, the chairman and managing director - which were well in excess of average pay rises.

The next stage is for FS to petition the Court of Session to allow it to change its status. Opponents will then have three weeks to register a challenge.

McLean will try to contact other holders of assured growth policies to mount a co-ordinated challenge, but he says he would probably drop his challenge if FS improves the terms for this category of policyholder.

Andrew Scobbie, FS's managing director, says he has no intention of doing so.

James Buxton

Using the Bespoke approach

PROVIDENT LIFE Association appears to have discovered a way of giving tax relief to investors on fees paid to intermediaries: selling its new Bespoke Gold Pensions. At the same time it avoids having to abide by the commission disclosure rules set out by the Securities and Investments Board (SIB).

The Hampshire-based Provident Life is a member of Fidelity Investments Insurance Group, its firm is in favour of rewarding independent financial advisers with fees rather than commission. The company launched its gold plan of pension contracts last year: as these do not pay commission, the benefits are somewhat enhanced.

Last week, Geoff Beaudin, head of the professional advisers division, unveiled the company's plans for moving over to a fee system for advisers.

The commission system of remuneration for intermediaries is ingrained in the UK insurance industry, both general and life. Under this system the intermediary is "rewarded" by the insurance company, not his client, and the size of the remuneration is based on the size of the contract secured.

By comparison, fees are paid by the client directly to the intermediary and are related to the amount of work involved.

SIB's disclosure proposals are intended to force advisers to reveal the amount of commission received on a sale, although it is not provided in an easy-to-understand form. However, the requirement to

disclose commissions has tempted many advisers to look at the possibility of switching to a fee system.

Many advisers have no idea how much to charge in fees for their services. One leading firm of financial advisers operating on a fee basis assesses the fee on a time-out charge basis - that is the amount of time taken up with explaining, recommending and arranging any contracts.

This way, the client does not know the exact amount until the business is completed.

Alternatively, with standard products the fee may be stated at the outset on an anticipated time basis. Hourly rates can range from £25 for a straightforward contract to £140 for a complex arrangement, such as inheritance tax planning.

Provident Life's Bespoke Gold Plan, scheduled to be launched in October, will operate as follows. The adviser will agree the fee level at the outset with his client - for example, assuming that the overall outlay for the agreed pension plan (including the fee) is £3,000 for the first year.

The client makes a payment of £3,000 to Provident Life. The adviser includes in the document on details of the agreed plan and informs Provident Life. This £3,000 pension contribution is invested, but at the same time Provident Life sells enough units to cover the fee.

The £300 fee is then paid by Provident Life to the adviser. Provident Life informs the client of full details of the agree-

ment within the 14-day cooling-off period. This sets out the premium, details of the charges paid, details of the charges made by Provident Life and the balance which is invested in units.

Provident Life does not require any confirmation from the client at the outset that a fee structure has been discussed and agreed. The company adopts the attitude that fees are entirely a matter between the adviser and his client, and it assumes that the client will check out the statement provided by the company.

However, this is a rather sweeping assumption and it is at this point that disclosure avoidance could occur. Advisers may well have discussed the fee basis in general terms, but some clients may be unaware of the size of fee charged unless they are specifically told.

In the case of Provident Life, the provision of this information goes beyond SIB's rules. SIB simply requires that clients be informed that remuneration is on a fee basis. There is no requirement for the adviser or the life company to inform the client of the size of the fee, because SIB assumed that the client would write a cheque for the fee and therefore know and have a record of how much was paid. So it would be possible for an unscrupulous adviser to be vague about fee details without breaking any SIB disclosure rules, even with the Provident Life scheme.

Eric Short

Gross premium £2,500
Less tax relief at 40% (£1,000)
Net premium £1,500
Fee £500
Total net cost £2,000

With a Bespoke Gold Pension:
Premium & fee combined £3,000
Less tax relief at 40% (£1,200)
Total net cost £1,800

The Inland Revenue may be reluctant to accept this system for long, particularly if other companies produce similar products. However, until the Revenue seeks fit to squash the idea, clients paying fees should see the Bespoke approach rather than pay direct, if only to ensure they get tax relief on the fee payments.

Why wives should look offshore

MANY MARRIED women may be well advised to set their sights offshore in preparation for independent taxation, which starts next April, especially if they are non-earners.

At the moment, building societies and banks cannot be deduct tax at a composite rate of 21.75 per cent from all deposits held by UK residents. Married women who do not have their own income and who do not pay income tax still receive their interest but do not pay tax for which they are not liable.

The Inland Revenue says that CRT is very unlikely to be abolished and that it is not considering the introduction of concessions for non-earners.

So, if you are a married woman with no earnings, who will receive a personal tax allowance with effect from

this kind being promoted.

"This is not the purpose of the offshore operation, it can't handle the volume," says Alan Dunstan, marketing director at Abbey National, who pointed out that the Revenue might feel tempted to clamp down on the practice if it thought it was

new interest gross, such as the new Capital Growth Bonds. Alternatively they can choose investments where the tax deducted at source is reclaimable, for example shares and unit trusts.

However, shares are far riskier than bank and building society deposits. But authorised unit trust "money funds" which invest in the money market can provide a less risky alternative. Non-taxpayers can reclaim the tax deducted at source (basic rate 25 per cent) from the Inland Revenue. For a married woman, with a low income or no earnings at all, the unearned income can be offset against the planned new individual tax allowance provided that the investment is in her own name, and applies to income received after April 5, 1990.

Sara Webb

Married women should prepare now for next April's independent taxation

net of CRT).
The question of whether banks and building societies advise their UK-resident customers to switch to accounts with the offshore outlet is a rather sensitive one. Abbey National, which has an offshore operation in Jersey, said it had already heard from the Jersey authorities who are not keen to see offshore deposits of

GOVETT UK SMALL COMPANIES FUND

822.5%

growth since launch

and the top performing UK small companies fund over one and five years.

Every £1,000 invested when the Govett UK Small Companies Fund was launched on 28th January 1989, is worth £2,225 today.

And over the last twelve months it has risen by 24.5% putting it at the very top of the Smaller UK Companies sector.

Just look at the performance data. It shows you that the Fund has performed consistently well over the last five years, during which time it has been at the top of the UK Smaller Companies unit trust sector (and the broader UK Growth Fund sector).

Why UK Small Companies?

Research by stockbrokers Hoare Govett proves that small companies have historically provided better investment returns on average over the long term than their larger counterparts. This success is generated by a combination of dynamic management, 'niche' marketing, lean workforces, and a will to succeed driven by staff who often have substantial personal shareholdings.

At John Govett we seek out those small companies that we believe will provide the best growth prospects either due to outstanding fundamental prospects, or because of special situations such as the prospect of a takeover or unrecognised undervalued assets.

Additional information

The fund manager is a qualified and experienced investment professional. The fund is managed on behalf of investors by John Govett Ltd, a subsidiary of the Hoare Govett Group. The fund is authorised by the Financial Services Commission under the Financial Services and Markets Act 1999. It is a member of the Financial Services Compensation Scheme (FSCS).

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All you have to do is complete the application form, and return it to us with your cheque.

Or you can telephone our unit trust dealers on 01-407 7888 during normal office hours should you wish to invest. They will also be pleased to answer any questions you may have.

Investors should remember, however, that past performance is not necessarily a guide to future performance. The price of units, and income from them, can fall as well as rise, and your investment is not guaranteed.

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Shackleton House, 5 Battle Bridge Lane, London SE1 2HR

Who wish to invest £1,000 in the Govett UK Small Companies Fund should complete the attached application form, and enclose a cheque made payable to John Govett UK Management Limited.

I am/We are over 18 years of age.

Registration details:

Name (Mr/Ms/Ms or Mrs) _____
Address _____
Postcode _____
Date _____
Signature _____

On one separate piece of paper (do not staple)

Please tick box: If you require a prospectus (sent at all costs free) If you are an existing John Govett client

Please tick box: If you require a copy of the offer document for the purposes of further proof If you are a private client

Name of professional adviser (if any) _____

Please tick box if you would like further details of Govett UK Small Companies fund _____

All figures quoted in this advertisement are to 1.8.89, other than to be secure investments. Source: Hoare Govett.

FINANCE & THE FAMILY

THE WEEK AHEAD

Cables growth lifts BICC

CORPORATE profit reporting slows to a crawl next week and appears set to remain at this pace for several weeks. BICC, the cables and construction group, is by far the biggest company reporting next week and will announce interim results on Tuesday. Forecasts are for a rise in pre-tax profits from £28m to about £36m in the six months to end-June.

The results will reflect further substantial international expansion in 1989 of the cables business; a strategy which has been the hallmark of the second phase of programme of re-organisation at BICC being carried out under the stewardship of Sir William Barlow, chairman, and Robin Biggam, chief executive.

In particular, the first half will have enjoyed benefits from the steel and other commodities cable manufacturing, which BICC bought for about £30m last year. There will also have been good volume growth in North American cable businesses and help from rationalisations in Australia. Meanwhile, Balfour Beatty, the construction subsidiary, will have performed strongly.

However, as a result of less favourable conditions for the

house-building side of Balfour Beatty's operations, combined with the normal seasonal bias to the cables business, analysts are looking for a rather slower rate of growth in the second half.

The rigorous effects of the Financial Services Act on unit trust business, and the aftermath of the stock market crash in October 1987, made 1988 a difficult year for Britannia Arrow, the fund management and financial services group chaired by Lord Rippon of Eastham. But 1989 should present a rather rosier picture and analysts are committing themselves to pre-tax profits forecasts of around £17.5m (and hoping for more) when the company reports results for the six months to end-June on Thursday. This compares with £15.7m last year.

The group's substantial US operations have been expanded in the period following the pur-



Lord Rippon



George Russell

chase last December of the outstanding 85 per cent of Invesco, the US pension fund manager.

Overall, the strengthening dollar, better world markets and a slight improvement in UK unit trust business should have combined to lift the fund

of £36m. up only fractionally on the £34.2m achieved in the same period last year.

The lift performance reflects the downturn in the housing markets in both the UK and US. The group has a relatively high exposure to the south of England, the worst-affected area for the construction sector. Bricks, tiles and building blocks are expected to have suffered most.

The automotive components division will have incurred more start-up costs during the period but is expected to see an improvement of about 10 per cent.

Analysts expect the second half to be equally tough and are looking for full-year figures of about £26m compared with £20.2m last year.

In June, George Russell, who is also the chairman of the IBA, succeeded Sir Robert Clark as executive chairman. Weir Group, the Glas-

based engineering company, has been experiencing buoyant trading conditions during the first half which will be reflected in the announcement of strong results on Wednesday.

Analysts are expecting the company, chaired by Lord Weir, to return pre-tax profits of around £2.6m during the June half compared with £7.8m in the previous corresponding six months.

Such a result would set Weir on course for a record full-year result. Traditionally, the second half makes the larger contribution to the annual result and the company is likely to report full pre-tax results of at least £21.5m against £17.7m last year.

Weir has achieved a sound industrial and geographic spread of orders which are standing at £210m, substantially in excess of the likely annual turnover figure.

Increased spending in the UK water industry in the run-up to privatisation will strengthen the order book considerably in future years. Pump production for water supply and sewerage at present comprises 16.4 per cent of the order intake.

Company	Announcement date	Dividend		This year
		Last year	Final	
FINAL DIVIDENDS				
Amalgam Engineering	Tuesday	1.30	1.30	1.50
Avon Holdings	Wednesday	1.00	1.00	1.50
Davis DY	Tuesday	1.50	1.50	1.75
Goodwood Group	Wednesday	3.00	3.00	3.50
Hawick Holdings	Thursday	1.00	1.00	1.50
Health Services	Wednesday	0.16	0.16	0.20
Hertford Group	Thursday	0.30	0.30	0.38
Malmort Holdings	Thursday	0.50	0.50	0.50
Newmarket Ltd	Thursday	0.20	0.20	0.25
Resort Hotels	Monday	0.90	0.90	1.10
Robertson Group	Thursday	1.80	1.80	2.10
Scottish English & European	Monday	1.35	1.35	1.50
Shilton Jones	Monday	1.35	1.35	1.50
Telford Group	Monday	1.35	1.35	1.50
INTERIM DIVIDENDS				
ABB Kent Holdings	Thursday	1.50	2.00	-
Bar & Wallace Arnold	Wednesday	3.00	11.25	-
BICC	Tuesday	4.75	11.25	-
BPP Holdings	Thursday	3.00	5.00	-
Bridon	Thursday	2.00	3.00	-
Brumby Arrow Holdings	Thursday	2.00	3.00	-
Business Technology Group	Thursday	1.25	1.75	-
Cambridge Electronic Inds.	Thursday	2.00	2.00	-
Callie's Holdings	Friday	-	-	-
Cherwell Holdings	Friday	4.20	4.75	-
CPI Investment Trust	Thursday	3.00	4.40	-
EBC Group	Monday	3.00	4.40	-
Equity & Law International	Monday	3.00	7.00	-
Equity & Law International	Tuesday	3.40	4.40	-
Gold & Base Metal Mines	Thursday	1.50	2.50	-
Grange Group	Thursday	11.80	24.50	-
Hong Kong & Shanghai Bank	Monday	4.00	4.00	-
Ilex Holdings	Friday	1.50	4.00	-
Inch Kenneth Shipping	Monday	0.30	0.30	-
Jordan Thomas	Monday	4.00	10.50	-
Kalon Group	Thursday	3.10	4.25	-
Laing Construction	Thursday	4.50	11.80	-
MacAlpine Altrad	Wednesday	1.20	2.00	-
Morgan Douglas & Harbour Co.	Wednesday	2.40	7.00	-
More Ferret	Monday	1.20	2.00	-
Palma Group	Monday	1.20	2.00	-
Ranold Group	Monday	0.80	1.20	-
Richardson Westhead	Tuesday	2.00	3.00	-
Richardson Westhead	Tuesday	2.00	3.00	-
Scottish Eastern Invest Tr	Thursday	1.00	2.20	1.15
Scottish Eastern Invest Tr	Thursday	1.00	2.20	1.15
Sunlight	Wednesday	0.55	1.10	-
Tiley International	Friday	14.00	20.00	-
Trust Minerals Malaysia Berhad	Tuesday	3.00	4.50	-
Veolia	Wednesday	3.00	4.50	-
Wates City of London Prop.	Thursday	0.77	2.75	-
Wardell Group	Thursday	0.77	2.75	-

David Barchard examines the attitude of the lenders as many borrowers start to feel the pinch

Interest rate rises push up mortgage arrears

WITH INTEREST rates much higher than they were a year ago, many borrowers are feeling the pinch, especially those who entered the housing market in the spring of 1988. This week, the Building Societies Association published figures which show arrears have been definite - although so far modest - upturn in the number of people with their mortgage payments more than six months in arrears.

This figure is, of course, only the tip of the iceberg. Jim Murgatroyd, assistant general manager of the Halifax, the largest UK mortgage lender, says his society was aware a year ago that many lenders were going to be put under strain by interest rate increases. Since then, rates have risen by about three percentage points.

"We adjust interest rates for the vast majority of Halifax borrowers once a year," says Murgatroyd. "This April, when the most recent adjustment was made, rates climbed from 9.3 per cent to 13.5 per cent, which is where we are trying to hold them. But we had been

warning people months beforehand that a hefty increase was coming and that times would be tough."

Halifax is holding its own mortgage rate to 13.5 per cent even though the banks' base rate, which sets interest levels in the money markets, has been 14. Murgatroyd says the society would do this "as long as we can."

All mortgage lenders are aware that many borrowers are under great pressure at the moment because of high interest rates. Trying to cope with this situation has become the dominating feature of the mortgage market in 1989.

In fact, most of the new-style low-start and deferred-payment mortgages appearing on the market this year are designed for people who find it difficult or impossible to keep up with their original schedule of payments on a standard variable rate mortgage.

Switching to a different kind of mortgage can trim your monthly outgoings, but re-mortgaging has its own costs (for example, a new survey and

legal fees) which may offset any gains from reduced payments for several months. And there could be other disadvantages.

Low-start mortgages often mean substantially higher monthly payments after two or three years.

People with serious arrears' problems fall into two classes. There are those who simply do not have the income to sustain their mortgage, perhaps because divorce or job loss has changed their circumstances radically.

The outlook for these people is very difficult and, unless they can find some way of increasing their income, selling and moving into rented accommodation might be their only option.

For those whose job circumstances and income have not changed, things generally are less bleak (although this might

not be apparent to the borrower who has let unsecured debts pile up elsewhere for several months before defaulting on a mortgage payment, so bringing the roof over their head into jeopardy).

Mortgage lenders are aware of this, and their general policy is to avoid panicking the borrower with impossible sudden demands. Their usual line with problem borrowers is to watch for six months or so to see how the situation develops.

So, if your direct debit mandate does fall because there is too little money in your account to pay, do not take any temporary silence by your mortgage lender as a good sign, or an indication that the default has not been noticed by the computer.

Rather, a prudent borrower should try to ensure that the flow of payment is kept up as much as possible. The less your backlog, the less risk you are in. A total of unpaid arrears equivalent to three months' payments is the sort of level of bad debt which might trigger serious threats

by the lender to force you to sell.

Discussion with your lender is also to be recommended although, obviously, this will be obviously easier if you have a building society mortgage with a local branch manager to whom you can turn.

It used to be said that building societies were likely to be more tolerant of lending difficulties than centralised lenders such as the mortgage companies. To the extent that building societies get the funds for mortgage lending from small savers and not from the money market, this could be true.

But the centralised lenders have their long-term reputations to consider and they know a lot about their customers. If the latter genuinely have been blown off-course by unforeseeable changes in the economy, then lenders will do all they can to find a way to make the situation work.

After all, at a time when house prices are falling, repossession and a forced sale could be risky for them, too.

Company	Year to	Pre-tax profit (£000)	Earnings (p)	Dividends	
				per share (p)	Final (p)
Howard Holdings	Apr 1989	2,730 (2,340)	7.0 (6.0)	1.5 (1.3)	-
How Holdings	July 1989	710 #	(570 #)	4.78 (3.74)	4.25 (3.4)
Noble & Lund	Dec 1988	3,020 L	(1,470 L)	-	1.0 (1.8)
Prico	June 1989	8,200	(22,000)	62.5 (65.8)	62.0 (64.0)
Reading Trust	June 1989	7,940	(6,500)	6.82 (6.23)	1.5 (2.0)
Rensmore	Apr 1989	2,280	(1,730)	6.0 (7.08)	2.25 (1.8)
Smith WH Group	June 1989	39,700	(70,400)	27.0 (25.0)	10.4 (9.0)
S&P Return Asset	May 1989	2,500	(2,000)	7.57 (4.22)	4.38 (3.87)
Shelburne	Mar 1989	70	(17.3)	14.28	15.15 (12.17)
Waverley Int'l	Mar 1989	306	(306)	5.92 (5.11)	1.9 (1.73)
West Trust	Apr 1989	519	(313 L)	1.25 (-)	0.25 (-)
Wholesale FM	Apr 1989	7,440	(6,780)	36.5 (31.8)	16.98 (12.9)

Company	Half-year to	Pre-tax profit (£000)	Dividends		
			per share (p)	Final (p)	
AAF Investment Corp.	June 1989	1,280	(6,670)	4.5 (2.5)	-
Associated-Hieretics	June 1989	1,280	(853)	1.0 (0.75)	-
Biogen Industries	June 1989	5,900	(4,940)	4.2 (3.9)	-
Brinsford Assurance	June 1989	45,500	(22,000)	6.5 (6.8)	-
British Telecom	June 1989	65,000	(1,000)	12.0 (12.0)	-
BT Group	June 1989	712	(323)	0.3 (0.2)	-
European Home Prods.	June 1989	17,070	(12,400)	2.5 (2.0)	-
Explura Holdings	June 1989	71	(28 L)	-	-
Exploit Logistics	June 1989	748 #	(1,400 #)	-	-
RPC Enterprise Trust	June 1989	693	(312.1)	0.75 (0.75)	-
Freemove	June 1989	470	(162)	1.8 (1.4)	-
First-Scott American	July 1989	3,880 #	(2,510 #)	7.0 (6.0)	-
Garners Int'l & Fin.	June 1989	575 #	(88 #)	0.42 (0.42)	-
Gasel	June 1989	1,040	(1,020)	2.5 (2.5)	-
General Accident	June 1989	225,000	(145,200)	17.5 (16.6)	-
Green John & Sons	Apr 1989	360	(51)	1.0 (1.0)	-
Hanson	June 1989	742,000	(805,000)	-	-
Johnson Group Clean	June 1989	12,340	(6,750)	7.0 (6.2)	-
Laird Group	June 1989	20,200	(17,400)	3.9 (3.5)	-
March Group	Apr 1989	11	(13)	-	(0.84)
Mercantile	June 1989	1,130	(20,200)	0.75 (0.75)	-
Mormont Oil & Gas	June 1989	2,980	(1,200)	-	-
Newmarket Venture	June 1989	906 L	(442 L)	-	-
Nichols JN (Vest)	June 1989	4,780	(3,070)	4.0 (3.9)	-
Plasmasc	June 1989	466	(436)	1.8 (1.6)	-
Portsmouth Pubs.	June 1989	1,240	(773)	1.8 (1.4)	-
Quintessence	June 1989	980 L	(77)	-	-
Rea Brothers Group	June 1989	575	(400)	0.25 (0.25)	-
Royal Insurance	June 1989	119,000	(154,000)	10.7 (9.5)	-
Royal Sovereign Grp.	June 1989	912	(786)	1.4 (1.2)	-
Queens Most Houses	July 1989	24,000	(17,200)	1.06 (0.85)	-
SD-Sicco	June 1989	1,330 L	(8,540)	0.27 (0.27)	-
Sphere Invest. Tr.	June 1989	2,850 T	(2,720 T)	0.67 (0.67)	-
Spice	Mar 1989	4,910 L	(268)	-	-
Standard Chartered	June 1989	48,000	(156,000)	12.5 (12.5)	-
TAN Holdings	Jun 1989	14,100	(9,800)	11.0 (11.0)	-
Transport Develop.	June 1989	19,240	(20,200)	6.0 (3.0)	-
Unilever	June 1989	787,000	(898,000)	-	-
USDC Investment Tr	June 1989	700 #	(988 #)	1.0 (1.0)	-
Whitegate Leisure	July 1989	33	(-)	-	-

Dividends are shown net of tax and are adjusted for any intervening scrip issues. Hong Kong cents per share. Per share gross. 3rd quarter figures. 2nd interim dividend. Malaysian cents.

RIGHTS ISSUES

Explura Holdings is to raise £2.16m via a one-for-two rights issue at 40p. Laird Group is to raise about £3.2m via a one-for-five rights issue at 25p. Loophole is to raise about £2.4m via a rights issue. Queens Most Houses is to raise £14m via a three-for-one rights issue at 20p. Spice is to raise about £2m via a three-for-four rights issue at 20p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Company bid for	Value of bid per share	Market price	Value of bid		Bidder
			Before bid	After bid	
Alva Inv. Tr.	314*	328	325	5.50	RBK
Arlington Sec.	357	359	318	305.3	BFK Aerospace
BAT Inds.	82	82	84	13.0n	ENI
Bacon Group	65*	51	46	25.3	Anglo Iran
Carson, Gold Plac.	1530	1480	1293	3.48n	Hanson
Deasler Bros.	700*	651	541	66.40	Atlas Copco
Goldberg (A.)	182	175	152	184.0	Wacker
Hay Mer. Dev.	650*	644	619	278.0	SHC, Leasing
Molins	180*	219	206	55.81	IFP Securities
Myson	240*	234	221	195.7	BNS Circle
Myson	2095*	224	221	186.54	Yale & Veler
Plaskey	270*	192	278	2.0n	GEC/Hammans
Prestrich Hidge.	140*	132	126	51.0	Orwin
Randworth Trust	325*	318	300	10.0	Bastin (28)
Red Funnel	20*	23	18	2.5	Sally UK Hidge.
SMAC	215*	219	01	14.72	Lovewe
Shand & Simpson	1150*	1050	1900	63.4	Clydebank Props.
Do "A" Non Vtg	66*	65	62	66.0	Libby
Tibury Group	65*	65	43	327.0	Claydon Props.
Ward White	445*	443	325	827.0	Bey
Do Crr Pri	162*	151	117	384.0	Bechtel

Help for first-timers

FIRST-TIME buyers will need no reminding that this is an extremely difficult time to enter the mortgage market. The gap between average incomes and average house prices has widened steadily since 1984.

With multiples of between three and 3.5-times income being applied to mortgage lending, there is very little in London and the south-east that is still within range of people earning less than £20,000.

Several lenders are now coming up with mortgage products to help first-time buyers get a foot on the ladder. At the beginning of this month, the Halifax Building Society offered a package containing a 1 per cent discount on its usual rate and loans of up to 95 per cent of valuation.

Woolwich, the fourth-largest society, has come up with a scheme which it says is a low-cost solution for those unable otherwise to afford a home of their own, particularly in the south-east. If the purchase price is £75,000 or below, the Woolwich advances a mortgage loan of up to 100 per cent. On

purchases up to £100,000, the borrower will be expected to put a 5 per cent deposit.

He is then charged interest in the usual way on part of his loan - say 70 per cent - while payment of interest on the other part is either reduced or waived. However, the Woolwich is entitled to 30 per cent of the increased capital value of the house when it is sold.

"There is little in the south-east that is within range of people earning under £20,000"

By way of example, the Woolwich says that payments on a £70,000 loan would be cut by £210.94 a month to £576.49 instead of £787.43.

Many mortgages of this type are offered through builders. One of the most innovative to appear so far was announced by broker John Charcol this week.

In conjunction with the Portsmouth Building Society,

Home, unsweet home

ONE OF THE commonest problems complained by expatriates is that to do with them on their return, even in cases where a tour of duty has been completed successfully. Most expatriates find it difficult to adjust to life back home according to a new study, *The Management of Expatriates*, by Dr Chris Brewster.

While abroad, they become accustomed to being in charge and exercising their independence. They also grow used to a high salary and the cushioning effects of a life-style that comes complete with perks such as company housing, servants, and free schooling for the children.

Two of the companies in the study stated that the problem with expatriates was "getting them to come back." Apparently, this was because the expatriates felt their salary or life-style, or the ability to control their own housing, servants, and schooling for the children, would not be reproduced at home.

Career expatriates can often develop rather unrealistic memories of "The Old Country" and the return home can threaten all their

assumptions. Such problems are compounded by the fact that top job options back home are limited severely.

The study found that, in these circumstances, most companies had coped with the problem but not solved it. Often, they create temporary or new jobs, or re-assign tasks to create space for the repatriate. There is, however, evidence that some multinational are now trying to be more positive in their approach.

One German company tries to ensure that career expatriates can choose the country of their final posting, including their home country. Their repatriation package will be maintained, even if the job available is of a lower status. Using a different approach, a Swedish company runs regular repatriation courses for managers before they return to Sweden.

But if the employment of expatriates is fraught with so many hazards, why do companies continue to use them? Brewster concedes this point has been the subject of much speculation but limited research.

There appear to be three

main reasons in favour of employing expatriate managers:

■ Staff

FINANCE & THE FAMILY

Share transfer to reduce tax

I PROPOSE transferring some of my shareholdings into my wife's name in order to reduce my income tax liability from April 1990 onwards. Am I liable to pay capital gains tax at the time of transfer or is the tax due when the shares are sold, assuming the sale takes place after April 1997 in the latter case, is the rate of capital gains tax dependent on my marginal tax rate or that of my wife?

I transferred some of my shares into my wife's name in 1988. Does this change the capital gains tax liability? Will there be no change in the existing rule that the transfer of a chargeable asset between husband and wife does not give rise to a capital gains tax charge provided that they are living together. But, under independent taxation,

the husband and wife each get their own annual exemption (now £5,000) before being liable to pay capital gains tax. It is proposed that income from simple outright gifts of assets between husband and wife will be taxed as the income of the recipient and not as the income of the person making the gift.

The Inland Revenue has just issued two new leaflets on capital gains tax which explain the new rules: CGT 14 - An Introduction and CGT 15 - A Guide for Married Couples. These are in addition to the special leaflets on taxation, IR 6081 and 60. All are available free of charge from local tax offices and tax enquiry centres or from the Inland Revenue Public Enquiry Room, West Wing, Somerset House, London WC2R 1LB.

Bank might fall

MY SMALL garden has a boundary with a holiday cottage 20 ft below. The boundary is almost sheer and is a mixture of earth and stones. It runs the rear length of the cottage, which has a conservatory built up to the boundary.

Originally, my garden had three elms and a hedge along the boundary, but the elms had to be cut down and the hedge was killed in the 1987 frost. There is now a substantial growth of elm shoots, which I keep trimmed, but I cannot cut the overhang which now touches the conservatory roof. There is a definite risk of

the bank falling because of this weight of growth.

I have written twice to the owner but he does not reply or communicate with me on his brief visits. I am very concerned about my liability in the event of the bank falling.

As a matter of strict law, there is nothing more that you can do. However, as a matter of practicality, this might be a case for a judicious (and careful) breach of the civil law by trespassing on your neighbour's land for long enough to cut back the growth and do whatever might be necessary to make the bank secure.

Investment newsletter

I AM considering publishing a monthly/weekly newsletter containing suggestions and recommendations for the sale and/or purchase of investments. The intention is for this to be available by subscription.

1. Does the company (or, indeed, its directors) have to be licensed or registered under the Financial Services Act?
2. Does the registration of the company offshore obviate the need to register as above?
3. Can advertisements to attract subscribers be placed in the press?
4. And are there any other important matters to be considered?

Terrorised by bees

A RELATIVE lives in a house with a medium-sized garden. At the rear is another house with a similar-sized garden in which several beehives are kept against the party wall. The bees from these hives have flight paths across my relative's garden and tend to congregated around the fruit trees there. The bees have stung me on these fruit trees at times. My relative and his family are fearful of using their garden for enjoyment due to the risk of being stung - which they have been on several occasions.

The local council's environmental health department refuses to take any action and claims that there is no by-law to prevent bee-keeping. The occupants of the house next door have been asked to abate the nuisance by my relative but disclaim responsibility, saying the bees are kept by their son.

Do you consider that the council has a duty to secure an abatement notice on the person causing the nuisance because of the risk of injury to health and, if he does not comply, then to seek a magistrate for an enforcement order?

We think there is not sufficient risk of injury to health to enable the council to intervene unless it could be proved that the bees were a particularly irritable strain and more likely to attack than ordinary honey bees.

After a crash...

WHAT happens if a building society goes bust? I believe I get 90 per cent of my savings back up to £25,000. But what happens after the £20,000?

The investment protection under the Building Societies Act 1988 safeguards 90 per cent of your deposits (in total) up to a limit of deposit of £20,000: so £18,000 is the maximum amount which is safe on a deposit of £20,000. The depositor must prove any excess in the winding-up, along with other deposits, and take a pro-rata share of the assets.

Q&A BUSINESS BRIEF

No legal responsibility can be accepted by the Financial Times for any information in these columns. All inquiries will be answered by post as soon as possible.

Wife gets equities

I AM convinced by your articles that it would be beneficial to transfer our equities, now in joint names, to my wife. What is the best way of doing so? We have 40 different shares besides unit trusts.

Share transfer forms are obtainable from business stations. Make sure that the stamp duty exemption certificate on the back of each form is completed correctly before the forms and share certificates are sent to the unit trust managers regarding transfers of units.

Mortgage payments

I AND MY wife have a £38,000 endowment mortgage with the Abbey National. It has 19 years to run. Although I realise an endowment mortgage is, in principle, one where you pay only the interest, I would like to know if there is anything to stop me paying a modest amount - say £10 a month - over the required amount, so reducing the principal?

Normally, there would be nothing to stop you paying off part of the principal as well as interest, as you propose; but you should first check with the building society that the terms of your mortgage do not make this uneconomical.

Will is unclear

I AM MY late aunt's sole executor. Her will was drawn up by a firm of solicitors but its meaning is unclear and open to more than one interpretation. This is now admitted by the firm but the partner concerned is dead. My own solicitor advises me to seek counsel's opinion and I am inclined to agree. How can I persuade my aunt's solicitors to foot the bill which arises as a result of their unsatisfactory work?

Apart from exhortation, you cannot at this stage persuade the firm which was instructed to draft the will to pay for sorting out the problem. If it becomes clear later on that the instructions were not carried out properly, the estate might possibly have a claim against the surviving partners (if any) of the draftsman of the will - but that is far from clear now.

You certainly should seek counsel's opinion, both as to the true meaning of the will as drawn and as to whether rectification of the will should be sought under the new jurisdiction conferred on the court by section 20 of the Administration of Justice Act 1982.

Christine Stopp thinks a new device for measuring the performance of unit trusts will prove useful

Let's give a cautious welcome to risk ratios

IN THE post-crash world, unit trust investors have become much more aware of risk - indeed, fears of another sharp decline in share prices have meant sparse unit trust sales for many months.

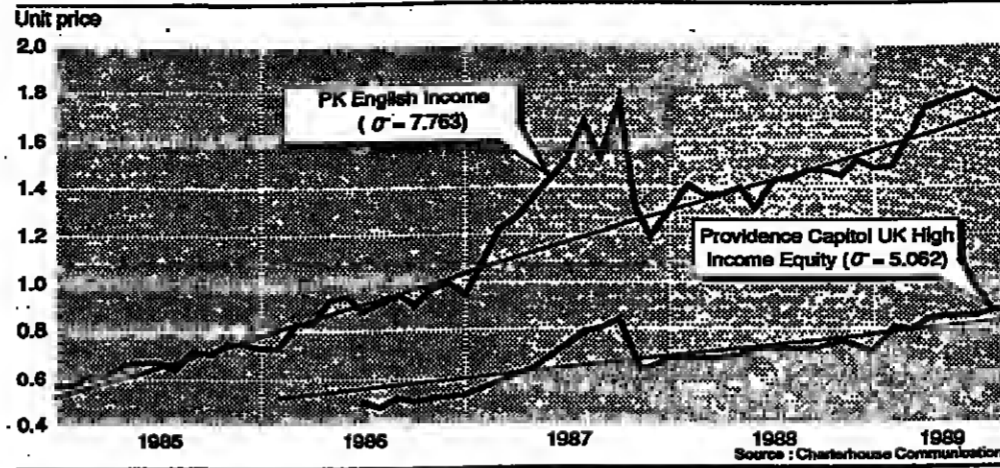
However, with the introduction of volatility measuring, by the Microcap statistics service, the small investor may have a useful tool for rating the 1,300 unit trusts available according to risk.

Risk-rating is not entirely new in the UK. A number of groups provide a guide to risk by numbering their funds, or identifying a range of risk categories, and more technical rating systems are used by fund managers for their own consumption.

The Microcap system, which is previewed in the September issue of *What Investment*, provides a volatility ratio figure for each fund. The figure measures the degree to which the fund fluctuates above and below its own mean performance average. The higher the ratio, the more volatile the fund, and vice versa.

The graph illustrates the principle. It shows two income trusts and their movement around the mean. The more volatile trust, PK English Trust Income Fund, was up by 77.9 per cent over three years

UK equity income sector



to 1 August, and ranked 13th in its sector. It has a risk ratio of 7.763. The Providence Capital UK High Income Equity Trust grew by 66.2 per cent, and was ranked 37th. Its ratio is 5.062.

In other words, the PK investor saw a better performance, but at a higher risk. He stood more chance of poor performance over shorter periods of time within the three-year period.

Even the most enthusiastic proponent of risk ratios is not

suggesting that they should be used on their own. However, taking two trusts with similar performance and comparing their volatility could be helpful.

A volatility ratio can, to a certain extent, be used to assess the future prospects. A fund which has proved highly volatile should, barring significant portfolio or management changes, behave similarly for the future.

This does not hand investors a crystal ball, but at least it

enables them to assess their risks more accurately. The sort of fund to look for is one with a strong past performance record and a low volatility ratio.

Abbey Unit Trust Managers have offered risk ratings on their funds for over a year, and feel that the system has a lot to offer. "In an era of best advice, to focus purely on the return element is only to give half the picture," says Paul Lahand, deputy managing director of Abbey Life Insur-

ance Services, though he acknowledges that explaining risk ratios in a "user-friendly" way is a problem.

Fidelity is another group which has started to produce risk ratios, at least for broker consumption. Other major groups are not so sure: Julian Tregning at Save & Prosper is "not convinced that risk rating serves to guide the man in the street". UTA chairman John Fairbairn expresses the Association's view, which is unequivocally against a full risk rating system.

"I feel it doesn't do any good, and might do some harm. As a scientific tool, I want it to be forgotten. Once you put numbers on it, it becomes too spuriously scientific," he says.

The main reason given for such strong feelings is that investors might not understand what risk rating is all about, and may misuse it, equating low or high risk with similar performance.

Peter Fuller, editor of *What Investment*, thinks this is a patronising attitude to take of investors, and may simply be an excuse on the part of the industry to withhold information from the consumer: "Unit trust companies should explain the risks clearly and then provide an objective framework to allow for their measurement".

Risk rating, in giving a guide to the volatility of a fund's performance, makes fund management techniques a little more transparent. This may be one reason for some managers' reluctance to admit risk ratios. Another is the feeling that risk rating is one more mechanical US technique which may serve to devalue the personal touch inherent in traditional fund management.

John Fairbairn says his own group, M & G, "has always been rather sceptical about the academic approach to investment analysis. It's a question of 'feel'. A manager should be aware of all the different approaches, but in the end it comes down to flair and experience". M & G's performance record does not suggest that they have got it all wrong, but then, neither does Fidelity's.

The fact remains that risk rating is widely accepted by overseas investors, with many foreign funds rated as a matter of course. There is no reason why UK private investors should be starved of information which is important for their investment decisions, and with an increasingly professional and international financial services industry, measures of this sort are probably here to stay.

A chance to ride a tiger

PRIVATE investors and fund managers with a penchant for small exotic markets are no doubt rejoicing at the Department of Trade and Industry's decision this week to allow Thailand to join the list of approved markets for unit trusts.

Investors who want to put their money in the so-called tiger markets (such as Taiwan and South Korea) and emerging tigers (Thailand, the Philippines, Malaysia and Indonesia) of the Far East do not always find these markets accessible easily. In some cases, foreigners are unable to invest directly in the stock market and have to buy into a managed fund - an investment trust or unit trust - if they wish to take part at all.

Until recently, unit trusts have had limited access to the Bangkok stock market. Like the Philippines, South Korea,

and Taiwan, Thailand was not an approved market. Unit trusts are allowed to invest only up to 10 per cent in such unapproved shares.

But following the presentation before parliament of amendments to the unit trust regulations, managers will be free to invest a substantial part, or even all, of their money in the Thai market if they desire. And, indirectly, this will mean that the 10 per cent allocated for unapproved markets can be used to build up slightly larger holdings in the other emerging tigers.

So, the South-East Asian funds will be able to invest in a broader spread within the region, giving them a more diversified portfolio.

"All the South-East Asian markets have grown very fast and erratically - although they are not synchronised with each other - so you can get a

lot of benefit by spreading your investments rather than taking the risk of playing hopscotch between Hong Kong, Singapore/Malaysia and Thailand," says John Custance Baker, managing director of James Capel Unit Trust Management.

Fund managers like to enthuse about Thailand for several reasons. They are excited by its economic growth (GDP growth is forecast to be 9 per cent this year), strong corporate earnings, and a stock market that has attracted a stream of new listings in recent months.

Politically, it is regarded as relatively stable (despite a history of coups and attempted coups) and, with the recent upheavals in China, Thailand's attraction as an offshore manufacturing base has been enhanced greatly.

It is possible for foreign investors to buy Thai stocks

directly (47 different ones are available to foreigners), but one of the main disadvantages is that it is expensive because of the settlement costs.

From the fund manager's or investor's point of view, therefore, it does not make sense to buy a little of everything and chop and change the portfolio a lot.

Could the approval of Thailand lead to other markets in the region joining the ranks of recognised bourses? The DTI says it is not considering the approval of other markets there for the time being.

So, investors who are keen to invest in the South Korean and Taiwanese markets - which are closed to foreigners - will have to continue using the investment trusts and closed companies that are listed in London or New York.

Sara Webb



Exotic Thailand: now it's an approved market for unit trusts

'Phantom' options catch on

Benefits under approved and phantom share schemes					
Type of scheme	No. of shares under option	Employee's Gross	Employee's profit Net	Employer's Gross	Employer's cost Net
Approved scheme	3,000	£1,500	£ 900	£1,500	£1,500
Phantom scheme	3,000	£1,500	£ 900	£1,500	£ 975
	4,600	£2,300	£1,380	£2,300	£1,500

So, a phantom scheme is essentially a way of paying extra remuneration to employees by reference to the company's performance as reflected in the movement of its share price. Pay-outs from such a scheme are regarded by the taxman as just another form of salary and are taxed as income in the employee's hands.

Until last year, the income tax liability of up to 60 per cent made phantom schemes much less attractive than approved share schemes, which levied only a 30 per cent capital gains tax charge. But the merging (since April 1988) of the rates at which income and capital gains are taxed has eliminated this differential.

However, while a company will reduce its corporation tax bill using phantom payments, a company running a share scheme will not be entitled to a deduction for the "opportunity cost" of issuing shares under the scheme at less than their full value.

The overall benefit of a phantom scheme over a share scheme, now that the tax effects for employees have been neutralised, is illustrated by the figures in the table. In each case, the option-holder's profit on exercise is 50p a share.

This profit is taxed at 40 per cent under both schemes but, whereas the phantom scheme gives the company a deduction at the present 35 per cent cor-

poration tax rate, no deduction is available under the approved scheme.

The result is that an option for 3,000 shares will give the same net benefit to the employee under either scheme - but at a net cost to the company of only £975 under a phantom scheme, compared with £1,500 under a share scheme.

Looked at another way, for the same cost as an approved option over 3,000 shares, a company could grant a phantom option for 4,600 shares which would boost the employee's take-home gain by more than 50 per cent - from £900 to £1,380.

On this basis, you might expect to see a headlong rush

from shares to phantoms. However, although phantom schemes are undoubtedly on the increase, a number of factors are likely to inhibit their growth.

First, there are some additional costs involved in the use of a phantom. The company has to pick up the tab for employees' national insurance contributions at 10.45 per cent of the amounts remitted to the employees, whereas there is no such liability on share scheme benefits.

Although the employee pays tax at the same rate under each scheme, he will pay much earlier under a phantom because the tax will be deducted through the PAYE system. By contrast, approved share gains are not taxed until the shares ultimately are sold; and even under a non-approved scheme the employee will have a period of grace, usually of at least a year, following the exercise of his option.

Second, the comparison of tax-effectiveness does not bring

out the most commercially important feature: although the exercise of approved options brings money into a company's coffers, the triggering of phantom options has the opposite result. In some cases, this adverse cash flow impact might well outweigh the fiscal advantages of phantom arrangements.

Finally, if the company's objective in setting up an incentive scheme is that employees should be encouraged to identify more closely with the company's fortunes, then a phantom scheme may not do the trick. A fat cheque might be no substitute for a share certificate and the dividend and voting rights that go with it.

If, however, the employees really are looking only for a cash reward - and are, therefore, likely to sell their shares immediately after exercise - this psychological factor will be devalued and the attractions of a phantom scheme reassert themselves.

David Cohen

David Cohen is a partner in the City law firm of Paisner & Co.

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NATIONAL SAVINGS

MINDING YOUR OWN BUSINESS

James Buxton on a problem for Scotland Entrepreneurs who go

SCOTLAND, the land of the fabled enterprising Scot, is not producing as many business start-ups as it should. That naturally bothers Professor Michael Scott, whose task at Stirling University is to nurture entrepreneurs.

Despite some positive signs and enthusiastic rhetoric from Prime Minister Thatcher, another politician, the statistics on enterprise in Scotland still are discouraging. Between 1980 and 1987, the share of Scottish weekly household income from self-employment fell from 7 per cent to 5.5 per cent. Net VAT registrations between 1980 and 1987 increased by 11.4 per cent in Scotland, while going up by 13.9 per cent in the UK as a whole. Only 2.9 per cent of 292 USM flotations since 1980 have involved Scottish companies.

Scott, who runs Stirling University's Scottish Enterprise Foundation, puts much of the blame on an employment structure which "is not doing enough to change Scotland, he says, has a disproportionately large working class and the working class 'is simply not as good a seedbed of business ideas as the middle class'". He argues that a working-class person who has been made redundant might be able to create work for himself and a few others, but is unlikely to establish a big business. Yet, the Government compounds the problem by its strong promotion of inward investment into Scotland (and other outlying parts of Britain) by overseas companies. The branch plants which multinationals set up supply jobs for the working class, but provide disproportionately few opportunities for the middle classes since the plants concentrate on manufacturing and usually lack the marketing, finance, and research and development departments of a normal independent business. "You're taking away many of the people who would create an entrepreneurial seedbed," says Scott, a straight talker from the north-east of England. "They have to go elsewhere to get jobs. The problem is not that Scotland doesn't produce entrepreneurs; it's that it produces entrepreneurs who leave Scotland."

Scott complains that the Government doesn't have a



Professor Michael Scott... "We mustn't neglect the start-ups"

strategy for business start-ups, in Scotland or anywhere else. "Start-ups were the fashion five years ago. Now, there's been a shift to looking at growing companies. But we mustn't neglect the start-ups: only by having a good flow of start-ups will you have the companies of tomorrow. You've got to have lots and lots of them because you can't predict which ones will be successful."

The Scottish Enterprise Foundation is, nevertheless, doing as much as it can to discover and foster entrepreneurial talents. It is itself an entrepreneurial organisation, since it has to raise almost all its own finance (it spends £700,000 a year) before it can act. Two of its target groups are graduates (it runs post-graduate courses for language students, for example) and women.

"With current demographic trends, women will become very important as business people," says Scott. "A woman might get to the top running her own business, which she might well not do in other people's businesses where there is often an invisible 'glass ceiling' on their promotion."

Stirling runs 10-week, part-time, non-residential courses for women which involve 2½ days teaching a week. "We take 20 at a time and teach them such things as

how to validate their ideas (testing whether they are viable), to identify and acquire the necessary resources to run their businesses, and how to run them when they get off the ground. And we provide training in assertiveness. A lot of women may lack the assertiveness they need in dealing with men, notably the bank manager."

Another area Stirling assists is the generation of ideas. "A lot of people have the resources and the motivation to start their own businesses but they lack the ideas or can't articulate them." This, he says, applies particularly to employees and to people who have been made redundant. Stirling runs one-day workshops to encourage people to dredge up ideas and talk them through.

But Scott thinks that many of these best-qualified to run their own businesses are among the managers of existing companies — "people who are street-wise in the business sense. They become disillusioned with big companies. The dream of self-employment is now a permissible dream in the UK. I'd like to run weekend courses for corporate managers to steel them and prepare them for the idea of setting-up on their own. It's an entrepreneurial idea: let's try it."

ONLY FIVE years ago, it was still the conventional wisdom that the ideal accountants for the small business worked together in a two- or three-person partnership because there would always be someone there to help you, even if only one partner knew your business well. Large firms were out: the business tiddler would always be too unimportant to matter and the fees would be too high. At the other end of scale, one-person practices were too small: there were bound to be times when you needed help but your accountant was on holiday or ill or working for someone else.

Attitudes have changed markedly since then. The big firms began to wake up to the potential of the small business sector early in the 1980s and, by 1985, most had a generally affordable structure in place for dealing with it. In the same year, the Institute of Chartered Accountants started a promotion campaign, taking advantage of the relaxation of the rules on advertising professional services. One thing it pushed was the suitability of the sole practitioner for the small business.

Most small businesses still regard their accountant solely as their interface with the Inland Revenue for minimising tax bills. The accountant adds the finishing touches of what few capital allowances are left for the car and business equipment, and advises on things

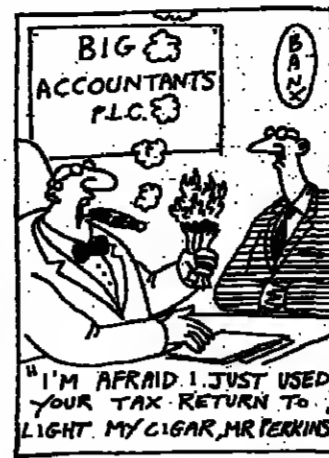
IT WAS a Monday morning and raining when the VATman came to call. I had awaited his arrival with apprehension. It was my first visit from him and, judging from what I had heard, it could turn out to be nasty and expensive.

I had been running my new, and very small, London publishing business for just over 18 months, sending my value-added tax (VAT) returns (and cheque) religiously every three months. The sudden and unexpected call from the local Customs and Excise office, saying they wanted to come along and see me, came as something of a shock.

The dour Scottish voice making the appointment gave nothing away. No reason was given for the visit.

Bearing in mind the reputation of the VATmen as being even more ruthless than income tax inspectors, I was worried about whether my extremely rough "books" — a simple receipts and purchases record bought from the local stationer — would pass muster.

Ian Hamilton Fazey on a change of approach Accounting for taste



like year-end lump sum pension payments to maximise relief in the 40 per cent tax band. However, accountants can be much more creative than that, and many are now pressing entrepreneurial small businesses to look at them more widely.

Accountants claim they will always negotiate a better deal on loans or other funding because they will operate passionately with only their client's interests at heart. They will certainly try several sources, while most small businesses will usually ask only their bank. The Institute also sees the accountant as a training adviser for people minding their own businesses, teaching them how to be businessmen or women. Many sole practitioners act for a little network of small businesses, acting as finance director for each of them and applying lessons learned from one among the others.

At the same time, the big firm of accountants could be well-stocked with exactly the right people for small business work, particularly if the office concerned is located outside London where there is less of a market for international megadeals — and less obsession with them. Indeed, the man who invented the small business unit within the accounting giant which is based in Manchester where, in his spare time, he chairs Manchester Business Venture, the enterprise agency based in the Chamber of Commerce which gives free advice to entrepreneurs.

Mike Davis is a partner with Arthur Young, the accounting giant which will shortly be inflicting an even bigger dose of glamour on itself by merging with Ernst and Whinney,

another biggie, to form Ernst and Young. Davis' original model was copied quickly by the other giants, although some have grown less enthusiastic since then because returns have not been good enough. What they all need is that sprinkling of small businesses which make it to flotation or sale to a large competitor — but a steady flow of them, too.

Things do not work so easily for most small businesses stay small and are better off with a smaller accounting practice looking after them. The small business market might have about 1.8m potential customers in Britain but it is still a niche business, as the giants have discovered. Davis says: "Provision of advice is the bedrock for everything else we do. We give structural advice throughout rather than provide a one-off tax audit. However, a few firms had to develop these skills in among their people in order to provide such services for small businesses."

"We discovered we needed a new breed of accountant, keen on active participation in the client's management. They had to have much greater awareness of marketing and the

least 90 per cent of my calls were on business. In fact, I have to keep a separate summary of VAT sales and purchases for each quarter, over and above the general accounts which, basically, list all the receipts and payments made by the company. From his point of view, the whole idea is to see how much VAT has been received and how much has been paid out, and check if the difference matches up with the returns sent in. Providing they are allowable items, then everything is all right. A final word of warning was to make sure the quarterly return, and cheque, were never sent after the required deadline. If that happens twice in any 12-month period, then you are liable to pay double

After a few more questions about the entries, he set about checking the figures and suggested, tactfully, that I went elsewhere instead of hovering around nervously. He toiled away for an hour or so and, when I returned, asked some leading questions about why the figures didn't match up properly with the returns. In fact, the discrepancies were relatively slight, so it was not too grueling. He also quizzed me about various questionable items, such as office decorations and the phone bill. In the end, he allowed some expenses which I knew in my heart of hearts were not really justified. But he evened-up things between us by cutting the VAT allowance on the telephone to 70 per cent of the total, although I had claimed that at

marketplace. Over a period, we then discovered there was a particular type of business we could service on a regular basis. The one-man small business wants only occasional advice. His needs do not match what we provide. Where needs and skills do not match, we send them on to smaller practices we know will be suitable. But we never send people away without a constructive step they can take immediately.

Many of the "suitable" smaller practices will be people encountered on the network of professional advisers who, increasingly, work together on individual deals as the small business sector expands and grows more sophisticated. Others are accountants who trained in the special units within the large firms and decided to exercise their own entrepreneurial flair by setting up alone or in twos and threes. Thus, the giants have made a significant contribution to professional services by training the sort of accountants entrepreneurs need.

So how and what should the entrepreneur look for? Wearing his enterprise agency hat, Davis says: "Talk to people you trust already, such as your bank manager or solicitor, or go to your local enterprise agency. Be clear about what you need, then see two or three firms and choose one where you are confident of a good relationship. Mutual trust is what matters in the end."

the VAT due on the second occasion.

"When I checked my accounts after he left, I could see the VATman was quite kind in not picking up more mistakes, although they seem to have cancelled-out each other so that neither side lost or gained much.

In fact, I have to admit that, for a business like mine, VAT has proved a bit of a godsend in helping cash flow and ensuring I keep reasonable records and accounts."

For example, in checking our last quarterly VAT return, I discovered a missing payment of more than £1,000 that I doubt I would have found otherwise.

With VAT coming in and only needing to be paid out, less any deductions, three months later, there certainly is quite an advantage in being VAT registered.

This quarter, I submitted my return two weeks before the deadline and, with the books straightened out, I feel that my small business has done rather well out of the VATman.

Steve Franklin survives an unexpected visit The VATman cometh

When the dour Scotsman turned up, I had some difficulty in dealing with an accountant made worse by a very bad cold. My immediate inclination was to offer him a cup of tea or coffee, with perhaps a drop of "something" in it, but I thought that might suggest I was trying to curry favour.

Once I had mastered his accent, and showed him to my "office," he opened the bowing from the hospital end with some gentle off-spin — questions that seemed mainly intended to establish that I and the business actually existed.

I watched out carefully and couldn't spot any dangerous goods. Then, we started on the books. He kept referring to sales and purchases, whereas my records were in receipts and payments.

After a few more questions about the entries, he set about checking the figures and suggested, tactfully, that I went elsewhere instead of hovering around nervously.

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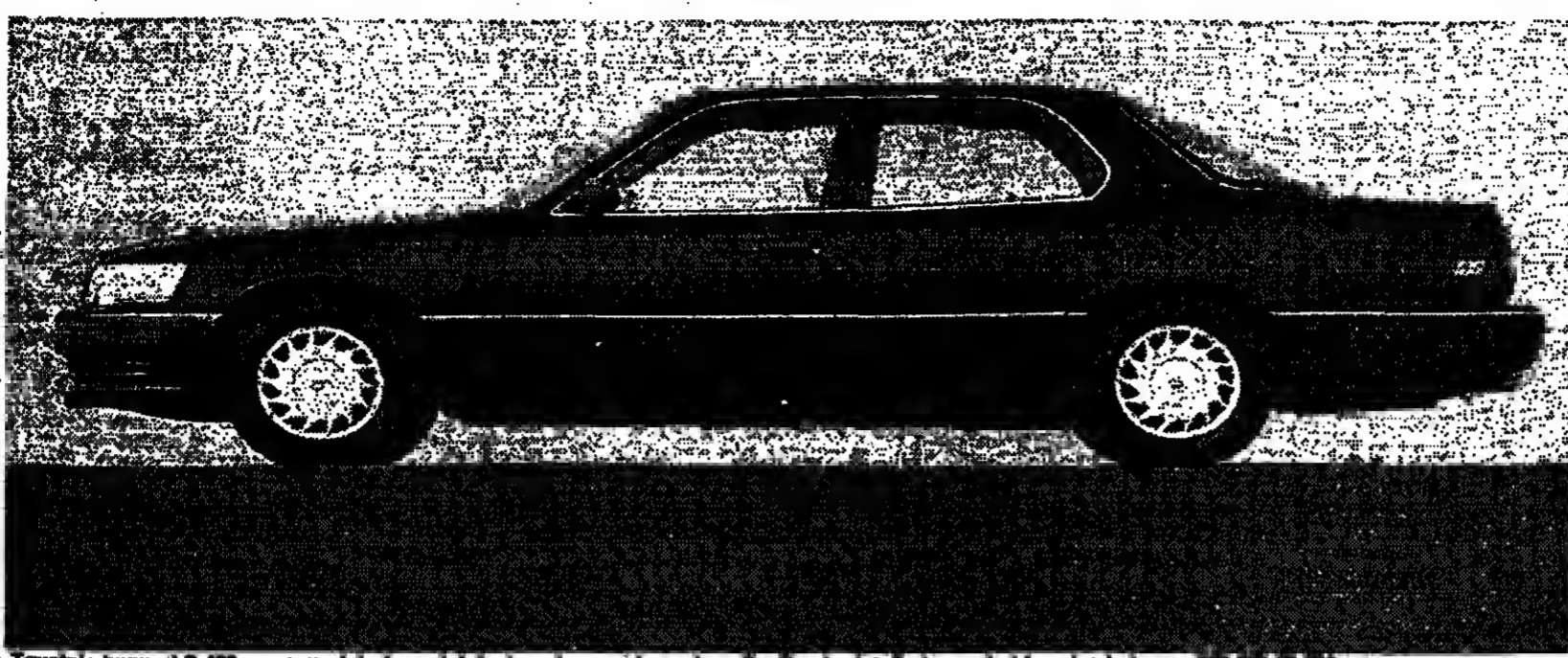
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MOTURING

THE BIG saloon had carried me in silent, air-conditioned and leather-seated comfort through the outskirts of Düsseldorf to the Cologne autobahn. Across tram tracks and over granite girders, there was as little noise and road reaction from the tyres as you expect from a Jaguar.



Toyota's luxury LS 400... a model of careful design plus an obsessive attention to detail at a probable price between £28,000-32,000

Japan goes for the throat

Toyota leads attack on Europe's executive car sector, reports Stuart Marshall

West Germany's autobahn system remains a de-restricted oasis in a desert of speed limits; on most of it, you can go as fast as you like, although for how much longer is anyone's guess. There was not much traffic about. Light pressure with my right foot held third gear to a shade over 100 mph (160 kmh) before the transmission shifted almost undetectably into top.

At 135 mph (217 kmh), the tachometer read a little over 4,200 rpm. I could hardly hear the engine and wind roar was subdued. I had a lot of power in hand and the car rode as stably as a liner on a calm sea.

Only 60,000 Lexus LS 400s are to be made each year, which might come as a relief to the likes of Mercedes-Benz, BMW and Jaguar. Of these, 40,000 will go to the US and a mere 2,000 to Europe, with Britain getting a lion's share of 800. Prices will not be settled until the launch but - in the UK, at any rate - I gather they will be close to those of the Jaguar XJ6. That would make them between £28,000 and £32,000, according to specifications.

Toyota's sights for the Lexus LS 400 are trained on Mercedes-Benz (the no-longer-young S-Class and, possibly, coming larger-engined versions of the 300); the BMW 7-Series; and the six-cylinder Jaguars (also due to get more powerful engines soon).

The Lexus LS 400 could also appeal to owners (more likely user-choosers) of cars such as the Ford Scorpio, Rover Sterling and Opel Senator who want to move up-market. I suspect that only a very nasty Budget surprise from the Chancellor next March will stop the first batch of 800 LS 400s from walking out of British showrooms as soon as they arrive.

Country Notes Give a worm an even break

IT WAS a still, clear evening after a long day of heat. The sea was so calm that it mirrored the cliffs - a blur of golden brown laid on blue water. Sitting on the beach, around sunset, the only flicker of speed came from some small, snake-like thing moving fluidly among the pebbles, a silver of bronze gleaming in the pink light. It was a slow-worm, Anguils fragilis, and it disappeared in seconds.



That brought home to me why, in less scientific times, country people regarded these shy creatures with fear and suspicion. Slow-worms are not snakes but legless lizards, distinguished from the former by the presence of movable eyelids and a broad, flat tongue (not forked). In people's minds, though, they were one with snakes and thus, as the old stories claimed, might sting, inject poison and spit fire. Even when wounded mortally, they would not die until sundown.

Jeany Poulsen

When choice defies logic

ONE OF THE endlessly intriguing aspects of motoring is what makes a person buy a particular car. Often, the choice defies logic. Why, for instance, get a wide-wheeled, high-performance model with a "go faster" kit of aerodynamic aids when it will be used almost entirely for shopping? Or a high-ang, on/off-road, four-wheel drive when it will never leave the farmyard?

More than half of them (54.3 per cent) gave the thumbs-down to any East European model. Sewells speculates that this could be due to perceived quality problems - or a belief that the cars are "not of the right type."

Of the Big Four UK manufacturers (Austin-Rover, Ford, Peugeot-Talbot and Vauxhall), Ford came top with a mere 6.3 per cent, while only 7.3 per cent said they would not think of becoming a Vauxhall owner. But one potential buyer in eight would reject both Austin-Rover and Peugeot-Talbot.

Which are the British makes of car? Replies to this question show how few customers are really aware of the facts. Predictably, more than 68 per cent said Austin-Rover was British. About 40 per cent thought Ford was, too, and 33 per cent said the same of Vauxhall.

Actually, a sizeable proportion of the cars Ford and Vauxhall market in Britain are made in Germany, Belgium and Spain. Nearly all the Peugeot 405s sold here are assembled in Coventry, but only 4.3 per cent rated Peugeot-Talbot as a British make.

Bridge

South dealt with neither side vulnerable and started the bidding with one heart. North replied with one spade. South said "two diamonds, North bid four hearts and all passed. West opened with the queen of spades. The ace won, dropping declarer's king, and East switched to the queen of diamonds. Taking with the ace, declarer rightly led the queen of clubs, the king covered, and the ace won.

Now the king of hearts was cashed, followed by the knave, but West shrewdly withheld the queen. This duck was lethal: the contract was no longer makeable. If South drew another trump, he would be exposed to an attack from diamonds; if he did not, West would make two heart tricks.

After winning with dummy's club ace, declarer must lead the knave of hearts and, if West refuses to take, follow with the 10. He is now in complete control. If West takes, a diamond can be ruffed with the king. South crosses to the 10 of clubs, draws trumps and claims. Should West return not a diamond but a spade, that causes no problem. South ruffs in hand and proceeds on roughly the same lines as before.

Chess The major difference from descriptive notation is that each square has only a single reference point; thus, White's Q4, which is also Black's Q6 in descriptive, becomes d4 in standard notation irrespective of whether a white or a black piece moves there. There is no dash sign between the piece moved and its destination square, while a plus sign denotes check.

Standard is now used in almost all English books, journals, columns and TV chess programmes. It is the only notation recognised by FIDE for international tournaments, and is favoured by an increasing majority of practical players. So if you still prefer descriptive, but standard is easy to learn.

Chess

THE BRITISH championship at Plymouth last week provided another demonstration of the UE's youthful strength in depth. In all other leading chess countries such as the Soviet Union, US, Yugoslavia and Hungary, a significant percentage of top players are in their 40s or older. But championships in Britain are dominated by the 25-35 age range, graduates of the country's youth programme of the 1970s. These grandmasters and masters are reinforced constantly by rising talents from the schools and universities.

Richard Adams, 17, became Britain's youngest champion last week and confirmed his growing reputation as a potential challenger to Gary Kasparov's world title early in the 1990s. Adams, already the third-youngest grandmaster after Bobby Fischer and Kasparov, won the tournament at Plymouth in impressive style, playing through his 11 games unbeaten and defeating top-seed Murray Chandler in the decisive last round.

Final leading scores were Adams 8.5; King, Mestel and Norwood 6; and Arkell, Emma, Hobden and Hodgson 7.5. David Norwood, an Oxford history student, qualified for the grandmaster title. Adams has now won three

South dealt at game to North-South and opened with one spade. West overcalled with two diamonds, North raised to three spades and South's four spades concluded the auction. Taking the first two tricks with ace and king of diamonds, West continued with the queen, which was ruffed in hand with the nine of spades. The declarer cashed his ace of trumps and followed with the queen. East showed out and West withheld his king.

South now had nowhere to go. If he played his knave of spades West would win, force dummy with a diamond and beat the contract when he ruffed a club or a heart with

Adams has now won three

Adams has now won three

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WEEKEND FT SPECIAL REPORT/COURSES AND CAREERS

Flunked your A-levels or GCSEs? Never fear, there are many options open to you, says Alan Forrest, What to do if you don't make the grade

IT IS difficult to look at GCSE results without joining the controversy on whether or not it is a good exam. It is not yet even known whether it will stay in its present form, or if it will spill all over A-levels and change the examination system forever.

Last year, when the first of the results came in, a survey taken by The Independent newspaper seemed to show that the GCSE was a middle-class exam, presumably because it favoured children with parents who could help their offspring.

John Murrell, managing governor of Gabbitts Truman and Thring, one of the UK's leading education consultants, says: "There is no doubt that GCSE academic standards are slightly lower than those used to be. This means that the gap between the new exam and A-levels is greater than it used to be under the O-level system."

However, Murrell sees several strengths in the new exam. "It is an examination based on continuous assessment. The GCSE is designed for the upper 60 per cent of the ability bracket while the O-levels were based on 20 per cent. Whatever you think about this, you can't say that 40 per cent were stupid, although you might argue that there has been a little leniency in marking during the early stages."

Murrell says that the tragedy of the O-level exam was that a pupil's performance on a single day determined a whole future - "and I'm being quite serious that a girl's menstrual cycle could affect this."

One of the main troubles with GCSEs at present is the various marking boards are being less flexible about retakes. However, there are many colleges which can offer students the chance to resist their GCSEs.

When choosing any independent college to attend, it is important to check whether it is accredited. The size of the independent section in further and higher education is often underestimated. According to a recent report by the London-based Overseas Student Trust there were almost 285,000 overseas students in independent colleges in 1985 - five times as many as in the state sector.

The number of British students was not published, but the report did disclose that there were 400,000 British and overseas students enrolled on correspondence courses in UK independent colleges. This means that the industry was not without its "bucket shops". So the British Accreditation Council for Independent and Further Education was set up in order to help students and parents choose a suitable college. David Parry, its executive secretary, writing recently, explains its functions: "BAC accreditation involves an assessment of the premises and resources of an institution, the qualifications and experience of the teaching and administrative staff, the standard of teaching and assessment procedures and the welfare provision for students. Once accredited, each institution is required to submit an annual report on developments at the institution to the BAC."



A study in concentration: independent colleges can help you get a better science grade

The council's list is wide-ranging, and all reliable people in independent education believe that it can only improve things. It doesn't just mean that the industry was not without its "bucket shops". So the British Accreditation Council for Independent and Further Education was set up in order to help students and parents choose a suitable college. David Parry, its executive secretary, writing recently, explains its functions: "BAC accreditation involves an assessment of the premises and resources of an institution, the qualifications and experience of the teaching and administrative staff, the standard of teaching and assessment procedures and the welfare provision for students. Once accredited, each institution is required to submit an annual report on developments at the institution to the BAC."

The Davies, Laing and Dick College comes well recommended. It has spacious classrooms and individual tutorial rooms which include a computer centre. It also runs a portfolio art course for students seeking Foundation Courses or entry into an art college. Collingham meanwhile, offers study in small tutorial groups in an elegant town-house atmosphere.

Its claim is that 78 per cent of its students go on to take degree courses after their A-levels. Fees are high at both these colleges, but even outside London it is not possible to get further education on the cheap. In the 1988-9 edition of the GTC guide fees were being quoted around the £4,000 a year mark for full courses. (And bearing in mind the rate of inflation this year, it would be best to double-check. The latest issue is almost ready, in which fees are up to date.)

IS THERE life after A-levels, and more particularly, after not-so-good A-levels? Valerie Aggett, the dynamic young principal of Holborn Law College, has a message of good cheer to students who haven't done so well.

The advice and sympathy of educationists is pretty important at this time of the year. For today is a day of round-table discussions in thousands of families in the UK, the first opportunity to sit down together and discuss the long-dreaded exam results.

What do you do if you haven't done as well as you thought you would? Do you try again, do you keep pestering universities for a place, or do you move out of the conventional academic stream into something more career-oriented? Valerie Aggett sums up the dilemma of some of these students. "They often feel completely at sea, with no-one to turn to for help. Their friends are busy planning new lives, while their teachers are often away on holiday or unable to suggest the next step... in fact, there

are a number of options open to them, any of which can provide a much-needed lifeline." Aggett echoes the views of other educationists when she says many students make the mistake of thinking that poor A-level grades are a sign of complete failure and that their world is ending. Frequently the only suggestion from schools is that students retake the subjects in which they have not done well. However, Aggett emphasises, the chances of doing well a second time in a subject which has already proved unsuccessful are considerably reduced.

Holborn is part of the HLT group of colleges and Aggett and Brian Hesp, an authority on university entrance requirements, have been touring the country holding seminars with the title After A-levels. The seminars look at how to cope with "clearing," alternative courses and the possibility of taking a London University degree in law, accounting, management studies or even nursing with just two Grade Es at A-level.

One of Aggett's answers to the dilemma of "life after A-levels" is to take two A-levels in completely new subjects such as law, economics or business studies. "This has the advantage of allowing students to come to the new subjects fresh and with enthusiasm. Instead of repeating an old course. It also means that there is no feeling at the back of their minds that they are wasting a year."

She points out that the highest drop-out rate at universities and polytechnics comes in the second year when many students find they have chosen the wrong subject and not cut out for law or economics. "Getting some experience of a subject before university can be a very good grounding for the future."

One of Aggett's offered options is to take a London University external degree. London has been offering these degrees for 150 years. They are the same standard as internal degrees indeed. It is difficult, it is claimed, except that you don't live-in. However, one educationist involved in university entrances and career counselling says: "Yes, well, I suppose they're all right, but in my opinion nothing is as good as residence at an academic institution. With only two E-grade passes at A-level it is possible to study as a full-time student for a London University external degree in law. Success means an LLB (London) and the chance to take Bar Finals or Solicitors Finals later."

London also offers an external degree course leading to the BSc Econ. The first year studies are common, but then students choose between economics, accounting or management studies for the final two



Valerie Aggett, principal of Holborn Law College: a message of good cheer for students who haven't done so well

submit a 5,000 word essay, report on facing page) is also recommended. The courses featured in the guide range from the Anglo-Continental Educational Group at Bournemouth, which offers courses in specialised English covering the language and background of aviation, maths and science, technology industry and commerce, to somewhere like the ISE International School of English in Brighton.

Organisations worth contacting for both foreign languages and English courses include Linguarum, based in London's Pall Mall and even now looking for young people to teach English abroad; the extremely popular Linguaphone specialists in home study; and, of course, Arels-Felco.

All the colleges mentioned in this article can provide something interesting and important for the exam: honours-hunter, for those with a passion for pure knowledge and for the simply career-conscious. If, however, that dreaded GCSE seems your only worry, I quote the opinion of Gilly Green, Collingham Tutors' administrative principal: "I do believe that the GCSE encourages 16-year-olds to be more responsible and more responsive in their studies. We find that they thoroughly enjoy the course work and that it brings out abilities which can remain hidden by more conventional exams."

Another study area that is always active is languages. The GTC guide has a hefty section on English language schools, but for people looking for these courses, a contact with Arels-Felco (address in

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WEEKEND FT SPECIAL REPORT/COURSES AND CAREERS

Secretarial skills can open the door to many better-paid careers, says Melanie Cable-Alexander

Make your mark as a go-ahead typist

WHEN MY mother suggested that I should consider doing a secretarial course when I left university I greeted the idea with horror. "But I don't want to be a secretary," I protested. "Never mind that," she replied, "you might find it useful."

There seems to be a certain stigma attached to the idea of taking a secretarial course in the minds of most ambitious young graduates of school leavers. They tend to assume, as I did, that it means they have to become secretaries once they finish the course.

This is certainly not the case. Moreover, taking a secretarial course can add an extra qualification to your CV, increase your chances of employment and, in some cases, give you an entrance to the career of your choice. For those still uncertain, it can also provide a few months extra breathing space to decide what career to opt for.

Increasing use of the computer and word processor means that it is a positive advantage in many careers to be able to type. Many people already at work, for example, are having to go back to school to learn or re-learn typing skills to use with keyboards. Even some boys' schools have set up classes to teach their pupils how to type and use keyboards.

There are a variety of options open to graduates and school leavers, ranging from evening-class keyboard courses, eight-week specialist "crash" courses, to fully-qualified three-year diploma courses. Prices range according to the type you choose. One that is quite popular with graduates is the intensive 15-week

short-hand/typing course, which costs on average £1,200.

There are no real guidelines as to which course is best - it depends entirely on the individual's requirements. Opinions vary about whether it is worth "spending money" and taking a place on one of the well-established secretarial courses, such as St James's or Pitmans, or thumbing through Yellow Pages and finding a "cheaper" at say, your local night school. For it is possible, if you are bright and determined enough, to bluff your way into a job with the minimum secretarial skills, in which case there is no need to spend vast sums of money on secretarial training.

The biggest dilemma for graduates, however, is probably not so much deciding whether to do a secretarial course, or even trying to work out which course to attend, but establishing what to do with their skills and whether to use them to find a career.

According to Helen Scarlett, of the Graduate Appointments agency, those graduates who take on secretarial work when they leave university would prefer to make their way up the career ladder without using their secretarial skills. They do not come to her asking to be secretaries, but rather request straight graduate employment. They get involved with secretarial work only because they have the necessary skills to fall back on.

What is interesting about graduates who take this route, however, is that, according to Helen Scarlett, more than 90 per cent of them have broken out of their secretarial roles by the time they have reached their second job, which takes roughly two to three years. (School leavers tend to take a



Secretarial courses and keyboard skills can further your career prospects

little longer - probably a reflection of their age rather than their abilities.)

Taking on secretarial employment, therefore, can indeed provide a way in through the back door to a career of your choice.

However, most of these graduates tend to be women. This is not because men lack secretarial skills, on the contrary, as a result of the growing demand for keyboard skills an increasing number of men are joining secretarial courses - they find it useful to learn how to type with all eight fingers instead of the traditional two.

Rather it is due to the fact that most employers are still reluctant to employ male secretaries. Becoming a secretary and using it as a back door

entrance to a more favourable career is largely only an option for women.

Also, the graduates who use this route tend to be those clutching their arts degrees, or those without a vocational degree, which is a traditionally female domain.

Moreover, arts-related businesses, such as PR, personnel or advertising, are notoriously competitive to get in to, which means it is often easier for these graduates to find work as secretaries in these industries rather than as trainees.

That said, however, there are women who make their way up the City career ladder via a secretarial route. Jane Reichman, now a short-term securi-

ties manager at Daiwa, is one example. She started her working life as a secretary on the trading floor at Shearson Lehman, an American merchant bank. In just over a year she became a fully qualified sales manager.

Her secretarial training was minimal - it consisted of a one-week typing course at what she described as "a gritty place in Oxford Street." But this was all that she felt was needed to start her on the right track, as she did not want to make it a career. She also felt that the more qualifications she had as a secretary, the more difficult it would be to break out of her secretarial role.

As a junior secretary you tend to have more contact with

a larger number of people, which Jane believed was important - the more faces you show yourself to, the more people will remember you when it comes to finding someone to fit a job. She believes that if you're bright and determined enough, becoming a secretary can be a feasible way into the City.

The drawback, she thought, was escaping from the label of being a secretary. Reichman, for instance, found that once she became a sales manager at Shearson Lehman she was still being approached by people to make coffee, arrange lunches and do some typing.

Scarlett, however, thinks that there are several advantages in taking the secretarial route into any job. First, she says, it provides a means of getting a job rapidly - graduate secretaries are much in demand and can more or less pick and choose their jobs. Second, it offers a means of getting good commercial experience. Finally, she argues, it allows a student time to think about what career they really want, and whether they are suited to their option.

However, choosing to make your way up the career ladder as a secretary is a lot tougher than joining a company on a trainee scheme - you don't have anyone monitoring your course and every advancement is one that you have to graft yourself. You will also earn less than graduates on trainee schemes.

Taking a secretarial course does not mean that you have to be a secretary, but it does mean that it is easier to drop into that role, particularly if you are female. However, being a graduate secretary can, as my mother so rightly said, be very useful.

Take your partners for a course

NOT EVERYONE is searching for goods, grades or a career. There are those who are well established career-wise but who just want to spend a holiday or a weekend doing the kind of things they might have done if they hadn't got trapped behind a desk so early in life. Some might have wanted to be a professional ballroom dancer, twirling round Angela Rippon in miles of tulle. Some might want to have commanded a battalion in battle. Well, all is not lost.

years. You can still think of summer schools occupying the holiday months of July and August - that's when schools such as Marlborough, Tamton and Millfield throw open their doors for courses, stop school dinners temporarily and move into gourmet cooking.

These courses are well attended (Marlborough reports a 75 per cent booking well before the season starts) and even now, it might be a good idea to book as soon as the 1990 brochures come out.

offer the summer school type of holiday year-round. The reason is simple. Because a typical family that, because of father's reasonably lucrative job, takes several holidays a year. As a man I know who has taken one of the ETB's guide says: "Unaccompanied children delight in making the break from the apron strings." One of the great enthusiasms for children is anything to do with horses. And it isn't just fun. "Young riders are usually encouraged to spend for their mounts - tacking up, grooming, feeding, cleaning tack and sometimes learning stable management such as plaiting, bandaging and the use of rugs."

from October to March, including tuition in everything it seems from Latin American to the guitar.

What about the children? The activity holiday is tailor-made for families, but as the ETB's guide says: "Unaccompanied children delight in making the break from the apron strings." One of the great enthusiasms for children is anything to do with horses. And it isn't just fun. "Young riders are usually encouraged to spend for their mounts - tacking up, grooming, feeding, cleaning tack and sometimes learning stable management such as plaiting, bandaging and the use of rugs."

Another centre offering weekend courses from September 8 to February 26 is Buckinghamshire County Council's Missenden Abbey at Great Missenden. Dipping into the brochure at random reveals that "Starting with the last lazy days of summer you can spend lingering sunny hours painting; as the brisk autumn begins you can begin something new - a language, a craft, even satellite tracking."

Another organisation offering residential study breaks throughout the UK is the National Institute for Adult Continuing Education based in Leicester. Its guide, *Time to Learn*, names thousands of residential and study breaks available. Course fees given in the guide cover tuition, accommodation and meals. The guide covers October 1989 to March 1990.

Another organisation worth contacting is the British Universities Accommodation Consortium. Based at Nottingham University, BUAC masterminds courses and conferences at a wide range of UK universities. Here again most of the action is in July and August, but growth in university accommodation is extending the service.

Staffes University offers two exotic cooking courses, Indian cookery and Japanese entertaining, and Lancaster is offering two flying courses aimed at potential pilots of all levels of experience. Prices start at £190 for the complete beginner, including almost five hours flying time during the week-long introduction. We've certainly come a long way from the Workers' Educational Association.

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fun holiday spills over into the careers sector. A colleague's 19-year-old daughter, mad about horses and determined to make a mark in the showjumping world, is taking a two-year YIS course in stable management (she has nine O-levels and to qualify as assistant instructor through the preliminary teaching exam the minimum is four O-level equivalent passes). There are no educational requirements otherwise. Course standards are set by the British Horse Society, Stoneleigh, Kenilworth, Warwickshire CV8 2LR. "She seems to enjoy it," dad

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Your guide to a jungle of choices

WHEN IT comes to choosing a course or career the old rule applies: it doesn't matter what you know as long as you know where to find it. This often means that students and parents are confronted with a bewildering array of brochures and publications, so here is a brief guide through that particular jungle.

For those looking for one of these nice weekend or summer courses, the choices is simple. There are many guides, but I have found one of the most reliable to be the English Tourist Board's *Activity and Hobby Holidays*. The 1989 edition is still available at £2.95, but some of the prices given for the holidays and courses may be a little on the low side when one considers the recent level of inflation. A new edition will be available fairly soon.

The ETB's guide is very readable, apart from giving useful information. It puts the holidays available in separate sections, from action and sports and arts and crafts to special facilities for the disabled. It has a special section for children of five and upwards and for older offspring taking a holiday away from their parents.

The National Institute of Adult Continuing Education's *Time to Learn* is also most useful. It includes a comprehensive list of study tours abroad - France, Australia, Moscow and Cuba to name but a few. It is available for £1.50 from the institute at 19B DeMontfort Street, Leicester LE1 7GE.

The Gabbitas Truman and Thring Guide to Independent Further Education is one of the best publications to point the way to that college that can offer a GCSE retake or put you on the path to a career outside the academic jungle - in business and computer studies, addressing with Vidal Sassoon or cookery with Pru Leith. The new edition will shortly be ready, but the 1988-9 edition still gives valuable information, although perhaps the fees should be double-checked.

valuable for students and parents come from Newpoint, now part of Reed Information Services. For example, *Graduate Opportunities* provides information on more than 700 recruiting companies. Other titles in this series include *The City Careers Guide* and *Careers in Chemistry*.

For those determined to face the academic track, no better guide could be recommended than the Universities Central Council on Admissions' (UCCA) *How to Apply for Admission to a University*. "This is the one that all adventurous students and parents should have," I was told by an educationist who is not involved in publishing. It is available from the council at PO Box 28, Cheltenham, Glos, GL50 1HY.

Brian Heap's *Degree Course Offers*, which covers selection policies and interview questions for universities, polytechnics and colleges, is a hefty but valuable tome. It is published by Trotman and Company at 15-14 Hill Rise, Richmond, Surrey TW10 6UA and costs £9.95.

For those still roaming around in the jungle, here are some useful addresses:

The British Accreditation Council for Independent Further and Higher Education, Middlesex Polytechnic, All Saints, White Hart Lane, London N17 8HR (Tel 01 368 1239)

The Association of Recognised English Language Teaching Establishments in Britain (ARELS-TEFLCO), 125, High Holborn, London WC1E 6GD (01 242 5135)

The British Universities Accommodation Consortium, University Park, Nottingham NG7 2RD (0602-422505)

Gabbitas Truman and Thring, 6-8 Sackville Street, Piccadilly, London W1X 2BR (01 734 0161)

International Baccalaureate Office, 18 Wootton Square, London WC1N 3XX

British Activity Holiday Association, Rock Park Centre, Landirindod Wells, Powys, Wales LD1 6AE (0297-3902).

Some books that may be Alan Forrest

PROPERTY

The unlovely face of timeshare

It's popular with the public but the selling methods have harmed its image, says Michael Hanson

TIMESHARE PESTS are as welcome as locusts at harvest time. If you are lucky enough to be on holiday right now, having survived the inevitable airport delays, the French air-traffic engineers' strike and the grounding of mechanically suspect aircraft, chances are that you are being pestered by timeshare sales people on your way to the beach, or when you visit the local bars or restaurants.

If you have not been solicited on the Costa del Sol, the Algarve or the Canaries, then you are bound to have received some timeshare junk mail. This usually takes the form of spurious "prizes" and "awards" that can be collected only by visiting the development and undergoing a lengthy brain-washing session at which you must produce some form of identification, be accompanied by your spouse, be over 25, and have an income of at least £15,000 a year.

No wonder the Office of Fair Trading has just launched an inquiry into timeshare following complaints about high-pressure salesmanship, escalating management charges, and lack of an adequate re-sale market for timeshare weeks. Its report, to be published next year, will be the latest salvo against the excesses of timeshare salesmanship and management.

In May, the Advertising Standards Authority cited "the regular string of complaints" it receives from people who are offended by "the somewhat ludicrous gimmickry used in mail-shots to prospective customers." Letters are posted in

the US to make them look different from other junk mailings, and overprinted with words to suggest urgency. Some window envelopes appear to contain genuine cheques, which turn out to be vouchers for so-called prizes or awards.

Euro-MP Edward McMillan-Scott, who calls timeshare "the golden fleece," wants selling brought within the 1979 Estate Agents Act so that a customer's money is kept in a separate account. He also thinks the new Commission's recommendations on fraud might cover timeshare contracts.

The OFT investigation has been welcomed by the timeshare industry's self-regulatory trade association in Britain, the Timeshare Developers Association, which claims its code of ethics "strictly controls advertising, sales, promotion, gifts, awards, and all other forms of solicitation."

In fact, some of the complaints about misleading advertising or direct mailings relate to present or former TDA members, but the association says: "The number of complaints are minuscule in relation to total sales of timeshare."

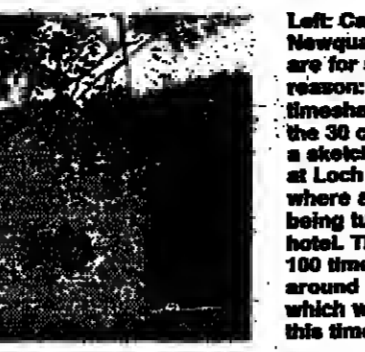
However, it has introduced a conciliation and arbitration service to hear complaints against developers or marketers, whether or not they are



TDA members. TDA chairman Graham Williams, managing director of the Elliott Property and Leisure Group which has developed successful timeshare schemes in London, Salcombe (Devon), Scotland, France and Portugal.



A sketch of the development at Loch Lomond in Scotland where a derelict mansion is being turned into a five-star hotel. The project includes 100 timeshare lodges, built around a new golf course, which will be ready around this time next year.



Left: Carnywick Cottages near Newquay, Cornwall, which are for sale for £1.3m. The reason: there are 417 timeshare weeks unsold in the 30 cottages. Right below: a sketch of the development at Loch Lomond in Scotland where a derelict mansion is being turned into a five-star hotel. The project includes 100 timeshare lodges, built around a new golf course, which will be ready around this time next year.

of a week's timeshare being £5,500 and the average maintenance charge being £110 per week owned.

Not all timeshare developments are successful, however; construction and marketing costs are so high that many have found they are under-capitalised and have had to sell their developments on to major companies such as Barrat, Wimpey and Costain. The mistaken idea that timeshare development is a licence to print money so seduced Allerdale District Council in the Lake District that it borrowed £6m from a Swiss bank to finance a timeshare development and leisure pool at Keswick Bridge. The first 20 lodges were completed last summer, but sales have been so slow that the council is having difficulty meeting its loan repayments.

Yet, according to the English

Tourist Board, timeshare projects in the Lake District have attracted more investment than anywhere else in Britain, and some of the most successful timeshare developments are to be found there - including Langdale, which has won awards for its design.

Of the many timeshare schemes in Scotland, Loch Rannoch (now owned by Barrat) was the very first in Britain. One of its successors, Craigendaroch at Ballater (tel. 0330-55558) has become one of the most successful combinations of hotel, leisure centre and timeshare lodges in the nation. Here, the hotel is renowned for its award-winning chef, Bill Gibb; the leisure centre is where the royal princes swim when they stay at Balmoral; and the timeshare lodges are modelled on those at Langdale.

Craigendaroch is being developed by Cannon Street Investments, which is well advanced on building its next scheme on the banks of Loch Lomond. At this site, Cannon bought from Allied Lyons a derelict Scottish baronial mansion, Cannon House, and 106 acres of land last used as a bear park. The mansion is being restored and extended to make it a 70-bed, five-star hotel and country club, and the first of 100 timeshare lodges built around a new golf course laid

in the park will be ready this time next year.

Another popular place for timeshare is Cornwall, where Costain is developing Clowance, near Camborne (tel. 0205-831-111). Compared with other developers, Costain goes for the softest sell of all: but the sales results speak for themselves, with the third phase of 16 lodges under construction, proving people will buy if the product is right.

Yet, why are Carnywick Cottages near Newquay, for sale through Miller, the Truro agent (tel. 0873-74211), for £1.3m? Because there are 417 timeshare weeks unsold in the 30 cottages, representing potential sales of £1.85m, with another 900 weeks worth £7.4m if another 18 cottages are built (planning permission has been given).

Apart from its high-pressure selling methods, timeshare has become notorious for the difficulties people have in re-selling their weeks at a later date. One man who is trying to remedy this situation is Peter Lewis, who runs Timeshare International from offices at 41 Butcher Street, Showmarket, Suffolk (tel. 0449-616-043). He now has 16 staff and expects to handle more than £1m re-sales this year.

"We get 80 enquiries a day, and our best enquiries are from those who want to sell, but selling can be a long drawn-out process," he admits. "The trouble is that people expect to re-sell for more than they paid originally, when what they should be doing is regarding their years of free holiday accommodation as their profit."

I HAD WON, so they promised, one of five prizes. Either a 14-inch television or two tickets to Florida, a video camera, a compact disc player or a Pegeot 205. How could I - why should I - resist? Clutching the piece of paper that announced my good fortune, I arrived apprehensively at an address in central London's Leicester Square and was given a questionnaire to fill out. There was a whole room of us, hot and awkward, but we were soon put at ease by a "consultant" who led us into the inner chamber of the anonymous office block.

On our piece of paper, we had been told that our part of the deal was to spend two hours listening to the possibilities of buying into a holiday; of course, the term timeshare was not mentioned. First, though, there was

another form to be filled-in and a lively demonstration on a white blackboard of the (on the face of it) undeniable virtues of buying a week on the Portuguese coast for 23 years, rather than renting one at an ever-increasing rate of inflation (say, 10 per cent to help the maths) over the same period.

And, of course, you didn't have to go there! There is the whole business of swapping your timeshare. "Where would you like a free week?" he asked us all in turn, marking it up on the white blackboard; but as the islands and continents began to beckon with the dark blue seas of fairy-tales, she wiped them off.

This particular invitation was to buy into the tiered white complex on this particular part of the Algarve, ranged around two swimming

To Florida, with hidden extras

George Charles gets an unwelcome taste of timeshare's hard sell

instructive. The video switched off, new "consultants" came to each table to help with the making-up of your mind on the spot (treating childhood scenes of Billy Graham rallies where you had to say right then whether you would or wouldn't). I asked my consultant, timidly, if we could take a few days to think about it. "No," she replied, firmly. "We see so many people each week, we just cannot deal with the paperwork."

Spotting a potential interest, she laid out the figures for me. There were three types

(that is, times of year) at different rates; peak time, roughly summer; regular time, roughly winter; and an in-between category, roughly spring and autumn. Now, it so happened that, due to immense popular demand, they were out of the Regular weeks, which were the cheapest, but they did have the middle range left.

However, she laid out both sets of figures so I would know what I was missing with the Regular even though it was all gone; just over £5,000 for the Regular and just over £7,000 for the middle range. For signing straight away

(although there was no other option) you got £1,100 discount off the Regular and £1,500 off the other. You had to put down 25 per cent of the total then and there and the rest could be paid in monthly instalments. The rate of interest was not mentioned.

Since I had not said "no" immediately, I suppose they assumed I was about to say "yes." When I objected that, generally, I needed to think about such things, my consultant offered helpfully to take my credit card and show it to her supervisor, who would see it as an indication of my good intentions.

When I demurred at this, she suddenly had an idea that there might be some Regulars left and she would bring her supervisor over to see me. "You might be lucky," she promised as she left, ignoring my plea that, seriously, I was afraid I was wasting her time.

What a surprise! The supervisor appeared and told me I was, in fact, lucky; there was a Regular available after all. And because it was not only a spare Regular but one that had been returned, it was only half the normal price of a Regular since the company had taken its profit already. This week would cost me only £2,000 (roughly, but I was losing contact with the Regular) and I no longer had to pay the 25 per cent deposit; but only £400 - surely I had that much in the bank? And the offer was for only valid now - on the spot.

When, mouth drying, I got up, refused coffee for the second time and said I really had to go, my consultant tore the paper with my figures on it into four pieces and dropped them on the floor.

But they hadn't forgotten my prize, which turned out to be a voucher for the two tickets to Florida - under rather stringent conditions that had to be met for some reason, appeared on the original list. The voucher could be used only if you booked for 14 days at one of three hotels through a particular agency, and prices ranged up to \$120 a night for double occupancy.

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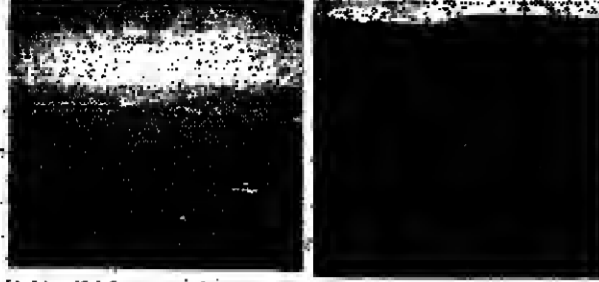
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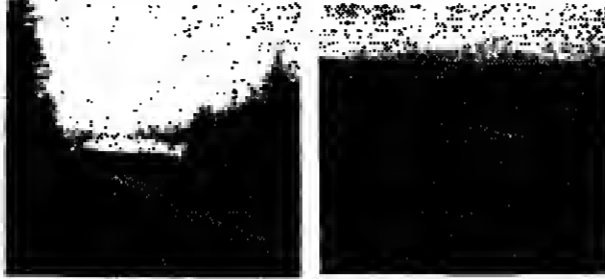
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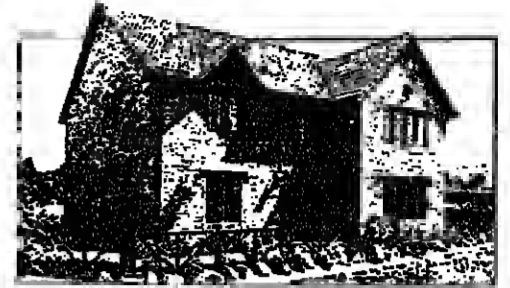
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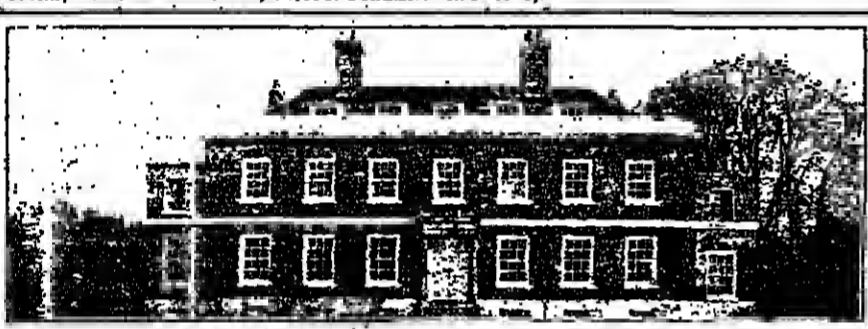
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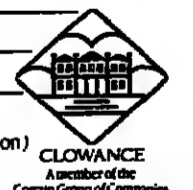
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GARDENING

How to turn over a new leaf

Arthur Hellyer tries to get at the root of tree disease problems



TREES DIE from many causes. Often, it is just a case of old age. The normal life of a tree varies enormously according to its kind...

even this is not essential. I have known perfectly healthy suckers to grow from the roots of trees that had fallen down because of disease...

making them grow faster and improving the density of their crowns. It also appears that trees may act like filters for polluted air, transferring chemicals from it to the soil...

MUCH as we all sympathise with Michael Thompson-Noel's experiences as a racehorse owner (Weekend FT, August 12) I fear that even the honour Twit of the Year is not one which he can expect to win without a challenge...

Plants are up and running

Robin Lane Fox on his contenders for the title 'Twit of the Year'

going and collides with anything in reach. It is also true that Verbeena Gravetye does produce masses of small violet-blue flowers but it, too, carries off the course...



drain and left me with something beastly. It would have cost even more if I could in the middle which I had given to a friend as a moving-in present.

had simply died from natural causes. They cost another £10 and this year there have been plenty of them. The drought has accounted for a new silver lime tree and a freshly-planted Sorbus...

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TRAVEL

TRAVEL BUSINESS

The boys who cried 'wolf' too often

S PARE A thought this weekend for Britain's beleaguered package tour operators. Not only have they had their worst summer in recent years in terms of falling sales, but they have again had to cope with irate customers fed up with lengthy airport delays and some with sewage in their hotel swimming pools.

Perhaps the most galling irritant for travel chiefs this summer is their lack of credibility with the public. Way back in the winter, the top tour companies decided that rising interest rates and a general sluggishness in holiday bookings meant that they should top 20 per cent - roughly 1m holidays - from this summer's charter capacity.

The result, they said then, was that by August, those holidaymakers who had left their bookings to the last minute would have trouble finding the deal they wanted. Like the boy who cried "wolf" once too often, nobody believed them. The razzmatazz and hype that is so much a feature of the travel trade meant that the increasingly sophisticated consumer saw this as just another marketing

ploy to get people to book early.

Too many holidaymakers, moreover, recall experiences of recent years when panicked tour companies dumped unsold seats on the market at the last moment. Two years ago, for example, return flights with accommodation to the Mediterranean were selling for as little as £25 per person.

This summer, though, the tour companies were proved right. Bookings did slump badly and their decision to offer charter airline capacity at an early stage was fully justified.

But you don't have empty seats there is no temptation to try to sell them at a discount as has happened in recent years in the detriment of tour operators, says W. Pataki, managing director of Redwing Holidays, the third largest operator which is 50 per cent owned by British Airways.

What this means is that those holidaymakers who thought they would be able to pick up plenty of last-minute bargains have been disappointed. Travel agents disagree. They report the steady stream of consumers who would have limited are the last bargaining offer.

Spain, surprisingly, is almost fully sold (albeit at a much lower level than last year) in spite of all the bad publicity in recent weeks. But Pickfords Travel, to cite one, still has Spanish packages available for example, seven nights on the Costa Brava, departing August 30, for £124 per person.

package holidaymakers this summer. Even here, however, there is still some availability left: tour operator Citalia, for example, has 14-night holidays at the Hotel Eden in Torre Canne in southern Italy available from August 26 at £357 per person.

The best late holiday bargains, according to travel agents, are still to be found in the Caribbean. Tour operators had put on a massive increase in charter capacity to islands such as Barbados, Jamaica, and St Lucia this summer in the belief that the weak dollar and novel destinations would lure Britons away from the Mediterranean.

But the strengthening of the dollar - leading to surcharges on Caribbean holidays - and cuts in disposable income have taken the edge off the Caribbean. Speedbird, part of British Airways' leisure division, has knocked £100 off the brochure price to holidays to Jamaica. Even up-market operator Caribbean Connection is giving a 5 per cent discount on late-August bookings.

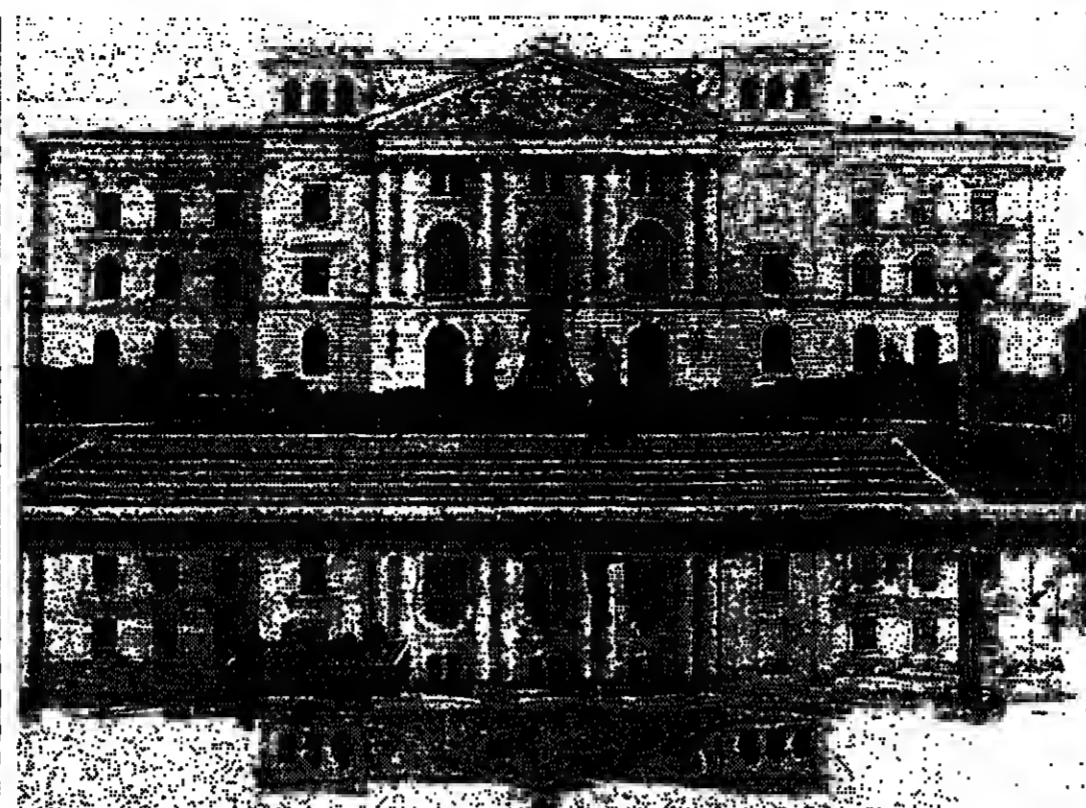
Florida, on the other hand, has recovered from a potential shortfall in hotel sales this summer. The massive popularity of Florida's Walt Disney World has meant that few operators now have packages left until well into September.

Yet the real success story of the summer has not been found overseas but in the domestic holiday market. Many people have chosen to sidestep all the hassles at airports by holidaying in Britain.

Superbreak, for example, offers a range of hotel and holiday packages in the UK and Ireland. Sales this summer are so far some 45 per cent up on last year. "It is the hotels with the indoor leisure facilities which are selling first," says Christopher Dunn, Superbreak's joint managing director.

Yet accommodation is still available. The Derwent Hotel in Keswick in the heart of the Lake District has rooms at £36 per person per night, including dinner.

Wales has also enjoyed a boom in bookings this summer - up by 50 per cent on last year - although the Wales Tourist Board says that accommodation is still available for late August. "The old rules of holiday booking no longer seem to apply," points out Wyn Meares, the board's marketing director. "Two-week holidays are no longer confined to July and August and short-breaks are taken as frequently in high season as in the autumn or spring," he adds.



The old town hall, Patmalite, Hamburg: north German classical architecture at its best



The glitter and neon of St Paul

Hamburg - as German as Grimsby

The Reeperbahn is rich in reputation - but there is little there to titillate, thinks Roger Beard

ON THE concourse of Hamburg railway station, lit by the glitz and neon of a dozen fast-food bars, is a 12-piece High Andes Indian folk-band, complete with black hats, horse blankets and nose flutes.

Of all Europe's many itinerant South American groups, they are certainly the most exotic, and probably the most skilled. No-one knows how they got there, only the immigration authorities care. And when they sweep periodically to round them up, the band is spirited away by the city's underground in a cloud of mountain dust. That is the mark of this most tolerant of German communities, the free state of Hamburg.

The first sign of it comes at the airport, 20 minutes by road from the city centre, on the splendidly named, and popularly named, Bomber Harris and his cohorts might never have existed.

The Alster, in truth a damned-up tributary of the Elbe, holds other surprises.

Towards its far end, a mile or two from the city centre, it mirrors the upper Thames. The lakeside houses might be at Chiswick or Richmond, grand stucco villas with lawns and flower beds.

Both cities are built round, in, and over water. Both have been maritime republics, and both city states. The difference is that Hamburg has yet to be absorbed. It is still a city republic and still a city state.

A source of great pride, its independence also carries a cost. Hamburg must pay its way within the German federation in all apart from national transport and defence, and in particular must fund its own unemployment, of which there is a great deal. Twenty five years ago Blohm & Voss slipped

the world's largest tanker, the Christina Onassis, into the Elbe. Today, it is scrap and its namesake dead and buried, along with the majority of the jobs in the shipyards. Yet the harbour trip, which takes in those weed-strewn, deserted slipways that also saw the launch of the Bismark, is top among Hamburg's official tourist attractions.

As is the Reeperbahn, where once the only holds barred belonged to the female mud wrestlers, and seadier slipways saw the launch of every sexual aberration known to a Baltic sailor. Today, apart from the occasional whore, all the Reeperbahn offers is the Meyer Lansky Bar, named after the Mafia's late chief accountant.

Thus has Hamburg returned to its mercantile and strongly Protestant roots, in this the 600th anniversary of its charter as a port. When the Tall Ships Race concluded in the Elbe in July, the parents of the young crews had little to worry about beyond the price of a pint and

cultural indigestion. On my visit, indigestion started with Verdi and Traviata at the Hamburg State Opera, less than three hours after take-off from Heathrow. As with all fine cities, it is the contrasts that make the greatest impact: the half-size bronze of Charlemagne outside the Roman Catholic church against the nearby colossus of Luther, robed like an overweight Hanseatic banker, the minute wine shops of the old quarter against the chic department stores of the shopping precincts; the discipline of the motorists against the good-humoured anarchy of an army of cyclists.

The last are everywhere, on heavy roadsters, without a bell in sight - Hamburg's nod to the Green movement. In a city where the cycle tracks cross both road and pavement, you walk at your peril, but walk you do. Most of the sights are within the old city, and those that are not can be reached by boat or water bus.

Above all, this is still the eating capital of the North, with a choice of small, modest restaurants you must ferret out for yourself, armed with little more than a phrase book and a finger to point with. The same goes for the food shops. Neither are in the guide books, which concentrate on the expensive and the international. At the family-owned hotel Europaerischer Hof it was not the well-appointed rooms or even the swimming pool which proved the main attraction, but the bedroom. Grigori. Takes out the bottles and cans, and you can fit in four smoked eels, three kilos of smoked herring, and two of smoked halibut, with enough room for the schnapps.

Now that's a real souvenir.

I travelled c/o British Airways, which has daily flights from London Heathrow. Further information is available from Hamburg-Information, Burchardstrasse, 14, 2008, Hamburg, 1.

Advertisement for ACME TRAVEL AGENTS, featuring logos for Spain, Italy, and various travel services.

A touch of class Empress Zita slept here

YOU CAN have a lot of fun at Heathrow if you know what to do. The best thing to do is to exercise yourself gently by patrolling those ritzy shopping malls to which Heathrow (and Gatwick) are almost entirely given over - and keep your eyes on the floor.

I did this the other day. I was not going anywhere, at least not immediately. I had five hours to kill. My flight had been due at 6.10pm, and finally left the gate at 9.57. So I patrolled the shopping malls, my eyes on the floor. And there it lay, crisp and freshly minted, a £10 note, which I at once scooped up.

It did not take long to work the whole thing out. Flying from Heathrow (or Gatwick) to anywhere else in Europe in summertime has now become so chancey that the people who run those airports (the people you never see, who keep an exceedingly low profile) have ordered emergency action. They have employed a man to scatter £10 notes, particularly near the shopping malls.

As a result of finding that money, I arrived in Madeira a reasonably happy man. This was good, for it put me in a suitable frame of mind for staying at Reid's Hotel, including continental breakfast, range from £72 to £280 per night. Full pension: add £36. Tel: (351)-91-23001. Fax: (351)-91-90499.

dated October 12 1959 and signed by a lady-in-waiting, reads in part: "I have been desired by Princess Margaret to write and thank you most sincerely for the crate of Madeira wine which has arrived here safely."

Generally speaking, give Funchal a miss and escape into the island's interior. For Madeira is exceptionally beautiful. Because of its climate and its position on the old sea routes - it is off the West African coast, just north of the Canaries - the island owes much of its floral riot to distant lands, including bougainvillea, jacaranda, tall silk oaks from Australia, hibiscus, frangipani and poinsettia.

The island is criss-crossed by levadas, a unique and complex system of small irrigation channels which carry water from the northern side of the island and from the high mountains to the fields and villages below. There are hundreds of kilometres of pathways running beside them. Because these pathways are mostly on the level, they offer a simple means of penetrating the mountains and forests.

Urs Buhner, Reid's excellent Swiss sales manager, says that you can hire a taxi for a day and tour the island, with an English-speaking driver, for about £28.

Mad's weavers are reckoned to produce more than 800 types of wicker basket. I bought one in Camacha, the hub of the wickerwork industry. I handed it in at Funchal airport. Many hours later it reappeared at Heathrow, riding the carousel, unbent and unscratched.

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BOOKS

Perfect — and happily married

Rachel Billington reviews a biography of the cartoonist Osbert Lancaster

OSBERT LANCASTER produced pocket cartoons from 1939 to 1981 — with an interval for the Second World War when he was press attaché in Athens...

OSBERT: A PORTRAIT OF OSBERT LANCASTER by Richard Boston Collins £17.50, 256 pages

biographer is as charmingly biased in his subject's favour as Richard Boston. The only imperfections are allowed to discover in his hero are the tendency to make sure in a shared taxi his was the first stop and a lack of enthusiasm for picking up the bill in a restaurant.

Otherwise he is shown to be more or less perfect — wittier than Waugh, subtler than Pevsner, nicer than Connolly — about whom he was not very nice. When asked if he had fallen out with him, he said he had never fallen in.

In Boston's opinion, Lancaster was unusual in remaining to the end of his life what he had been at the beginning of adulthood, "a Church of England, conservative heterosexual". Let others become communist, Catholic or disaffected, he did not see the point.

Worse still from the biographer's point of view, he married happily and, after this wife died, married again happily — especially when the

glamorous Ann Scott-James. Nor did he suffer from anything very much apart from an early flirtation with tuberculosis but even that turned to his advantage as he used it as an excuse to escape from family pressure to train for the bar.

Lancaster was born rich, earned more and seems to have spent every day doing what he enjoyed most. His year-in-year-out routine of late breakfast, work in dressing-gown, Martini, lunch at club, Daily Express to produce cartoon (the dangers of Beaverbrook assiduously avoided) followed by jolly evening out, may provoke more envy than close interest.

Yet there are the cartoons, reproduced lavishly in this book — although unfortunately on paper that weighs heavily. Maudie Littlehampton, husband Willie, daughter Jennifer, still as funny now as ever, expressing everything their equally goggle-eyed creator had to say in extremely succinct form. Here is a commentator, predisposed to the status quo who had found the perfect standpoint from which he could laugh, on the whole rather sympathetically, at the follies and even passions of others.

Once more the biographer is at a disadvantage: Lancaster was a great cartoonist, a great talker but not a great letter-writer, nor in his autobiography or elsewhere, was he dis-



"His Beetle" — one of Osbert Lancaster's illustrations for his "Classical Landscape with Figures" (1947)

posed to examine his inner self. Taking his tone from his subject, Boston does not presume to probe either. We are given instead a superficial picture of a man who dealt, above all, in the superficialities of life — in style, fashion, behaviour, class and attitude. That made him a very good social historian.

Lancaster maintained that his greatest pleasure had been

riding in his pram. "The motion is agreeable, the range of vision extensive and one has always before one's eye the rewarding spectacle of a grown-up maintaining professional physical exercise."

Pocket psychoanalysts may draw their own conclusions. His other even more endearing view was that if a moultache is worth growing at all it should be easily visible from the back.

A sniff of the very armpit of Africa

J.D.F. Jones on an ordinary view of Cameroon

THE PORTUGUESE were the first Europeans to get to the armpit of the West African coast; they found an estuary swarming with prawns and so called it Rio de Camarões. Successive colonial powers changed it to Cameroons, Camerouns, Kamerun and Cameroon. Today it is Cameroon, not well-known, not on the tourist circuit, not successful by Africa's standards, and Dervla Murphy's reasons for turning up there are never very clear.

Ms Murphy's success is a bit puzzling. As travel writers go, she verges on the pedestrian, although often preferring the bicycle. She stands aside from roaches in Boussor and Madagascar, but nowhere have I seen more lively cockroaches. Everyone thought she was a man, so she got used to exposing her chest to demonstrate the mother-daughter relationship. You have to keep reminding yourself that this must have been a journey which

CAMEROON WITH EGBERT by Dervla Murphy John Murray £14.95, 382 pages

think we might behave if we were dark enough to take our teenage daughter off to an obscure country with a filthy climate and unspicable food and buy a pack-horse and wander around with no evident end in view.

This was her first time in Black Africa, she claims, because she excludes her previous ventures to Ethiopia and Madagascar. The trip, as she tells it — day by day and without ornament — seems to have been interesting rather than dramatic. Her experience as a traveller frequently gives her a sense of proportion: "I have seen slightly bigger cockroaches in Boussor and Madagascar, but nowhere have I seen more lively cockroaches."

Everyone thought she was a man, so she got used to exposing her chest to demonstrate the mother-daughter relationship. You have to keep reminding yourself that this must have been a journey which

would have had most of us scurrying back to the local Hilton before you could say fuu. She liked the Cameroonians, who, almost without exception, emerge as a lovely people. I liked the Eng Lit student she meets in the bush, whose favourite author is Jane Austen: "Her books are not complicated. They are about village people, so if you come from a village you understand them — though English villages are rich and ours are poor."

Beyond the tale of the journey, there is a good deal of common sense sometimes touching on wisdom. She is interesting about such things as the significance of the tsetse fly in African history, the importance of land ownership in a peasant society, the dedications of Africa's red soil. She seizes on the essentially unchanged nature of African society through and since colonialism. And she is willing to tackle difficult matters such as the African concept of time, the persistence of pre-literate attitudes in Africans, as opposed to Europeans', mental development.

Egbert is the Hero — her beloved Horse.

Fiction

Married folk who cheat

KAFKA AND Joyce Carol Oates are two very different kinds of authors, but there is a definite hint of the former in the latter's latest offering, American Appetites. It is constructed around a murder trial in which an innocent man is accused of killing his wife, and the vital witness has unaccountably disappeared.

Ian McCullough is the one on trial. A former Harvard professor, he now edits a political journal in New York, and is happily married to Glynis, whose forthcoming cookbook bears the same title as Oates's novel. They live in an affluent suburb, on the Hudson and have many friends, among whom they number the young and slightly weird Sigrud Himm. So weird is Sigrud that she not only taught modern dance at Vassar, but rings up Ian distraught one day and insists that he comes to see her, even though she lives miles away and they hardly know each other. In the book's only unconvincing scene, Ian drives to her apartment, talks her out of suicide, and gives her a cheque for \$1,000 to pay for an abortion. Then he goes home and unaccountably forgets to say anything about it to his wife.

She finds out though, jumps to the wrong conclusion, and provokes an almighty row. Drunk and angry, she summons the faithful Ian with a list of her own lovers — friends of his, described to him but not identified — before crashing through a plate-glass window and falling into a coma from which she dies without recovering consciousness. Her death is clearly a misadventure, but will the police see it that way?

Not on the Hudson, they won't. Gradually, painstakingly, they build up their own version of events. Ian and Glynis were having a row, the neighbours heard voices. Ian has given Sigrud money, the police have seen through his records. Sigrud has disappeared and may be dead too, for all anyone knows. The evidence against Ian is strong enough for a prima facie case, and he is duly brought to trial on a charge of second degree murder.

Does Machiavelli mean that God would permit a man to sacrifice his immortal soul with such an act? No, de Grazia concludes, citing Machiavelli's commentaries on the political excesses of Trajan, David, and the Apostle Peter who were all ultimately saved. So what we might see as Machiavelli's satanic bravado simply comes down to his lovely irreverent anti-clericalism.

This is the conclusion that I have (with some difficulty) distilled from De Grazia's prolix verbiage. As a historian of ideas, his methodology seems to consist in isolating various themes — say "love" or "fortune" — and finding references to them from anywhere in Machiavelli's work, regardless of the fact that there are profound generic difficulties involved in comparing quotations from published work with private letters, or what Machiavelli says in his own person with the utterance of a fictive stage persona. This approach reduces the formal variety of Machiavelli's writings to an homogeneous, meaningless equivalence.

In the past, the septuagenarian Professor De Grazia has written eclectically and engagingly on many learned subjects, but I fear this monograph will prove an eccentric coda to his distinguished scholarly career, rather than its crowning achievement.

His thesis, as far as I can make it out, is as follows: Mussolini and other hot-heads have got Machiavelli wrong; his is a

AMERICAN APPETITES by Joyce Carol Oates Macmillan £12.95, 340 pages

NO EASY PLACE TO BE by Steven Corbin Simon & Schuster £12.95, 444 pages

JOURNEY THROUGH THE WILDERNESS by Morris Farhi Macmillan £12.95, 486 pages

His friends all rally round, give him their support. But are they his friends? Were they all sleeping with Glynis behind his back? Or was Glynis lying to him to even the scores? Ian is tortured by the possibilities, so much so that he even contemplates pleading guilty to the murder charge, rather than waste time on a trial that seems comparatively unimportant, now that his whole life has been shattered.

He is dissuaded, of course, and a verdict is delivered. It means little to Ian, one way or another, and he gives her a cheque for \$1,000 to pay for an abortion. Then he goes home and unaccountably forgets to say anything about it to his wife. She finds out though, jumps to the wrong conclusion, and provokes an almighty row. Drunk and angry, she summons the faithful Ian with a list of her own lovers — friends of his, described to him but not identified — before crashing through a plate-glass window and falling into a coma from which she dies without recovering consciousness. Her death is clearly a misadventure, but will the police see it that way?

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Joyce Carol Oates

luxury apartments, and black sedans to command. For a while the party's delightfully happy. Then Louise becomes pregnant.

The child is perfectly acceptable when it is born. Only later, after the father has learned to love it, does the skin darken and his hair turn crinkly. The father refuses to accept the truth; accuses his wife of having a lover. He attempts suicide, she packs her bags and goes back to Harlem, to the family she has not been able to see for years. The story is most movingly told, without being in the slightest bit sentimental. The author is clearly poised for a sequel, and very good luck to him.

Morris Farhi's Journey Through the Wilderness is a monumental novel about a fictitious (though real enough) South American country, as seen through the eyes of a Jewish art restorer on the trail of the Nazi who killed his father. Also involved are sundry American priests and journalists, a fascist general, a female singer, and a peasant girl who is convinced she is to be the bride of Marlon Brando. The book's mythical mood, its a rich book, wrapped in a certain amount of pretension, but with plenty going on to feed the imagination. The only serious criticism is that it has a tendency to meander so that one is not always sure if the author knows exactly where it is going.

There is a literary aspect to an unpublished manuscript by A. Conan Doyle (the best, least a bit suspicious, would Sir Arthur have referred to someone as "working out of Humber"?). In any case, Sherlock Holmes's adventure inspires Augustus and adds an extra flip to this appealing neatly-fashioned tale. In his collection of stories, Death of a Salesperson, Robert Barnard displays the same wit and invention that distinguishes his full-length novels. Even in the briefest of these tales, he entertains through his sharp (but not unmerciful) eye for character, for quirks and foibles, little failings of snobishness or vanity. These short scripts to the author's larger works are equally to be savoured and cherished.

William Weaver

NEXT WEEK: ZARA STEINER on books about the Second World War

To be taken with a pinch of Salt

WHEN Henry Stephens Shakespeare Salt, the subject of this anthology, died in Brighton in 1939, at the age of 88, he had himself written the address for his funeral. In this, he announced "I shall die, as I have lived, a rationalist, socialist, pacifist and humanitarian." His friend Bernard Shaw might have made the same claim. What differentiated the two men was not their beliefs but the degrees of eloquence, guile and therefore effectiveness with which they fought for them.

Unlike Shaw, Salt was born to privilege. Educated at Eton, as a King's Scholar he then went on to Cambridge, which he found sadly lacking in concern for what he called, "the higher social ethics." He returned to Eton to teach and to wed the Lower Master's daughter — with unfortunate results since, a lesbian, she maintained a life-long refusal to consummate the marriage. Many people believed that, such was his high-mindedness, Salt remained a virgin until, at the age of 73, his wife by now dead, he contracted a second marriage with his 35-year-old house-keeper.

Having decided that his fellow beings were both cannibals and exploiters of the working class, Salt returned to the headmaster, Dr. Warren, that he wished to quit Eton. "It's the Vegetarianism," Dr. Warren gravely concluded. No, Socialism must take its share of the blame, Salt replied. Dr. Warren was appalled. "Socialism! Then

THE SAVOUR OF SALT: A HENRY SALT ANTHOLOGY edited by George Hendrick and Willene Hendrick Century Press, Farnwell, Sussex BN 18 0TA, £12.95, 204 pages

blow us up, blow us up! There's nothing left for it but that!" Salt, however, was far too gentle a man to blow up anyone even verbally.

In The Heart of Socialism Salt confesses to being one of those people who "have lived for years on an unearned or partly unearned income"; so presumably, through the fortunate chance of being descended from the well-to-do Alnatts of Shrewsbury, this man who so often inveighed against a rentier class, was a rentier himself. Although no doubt usefully, he cannot have been gainfully employed in editing The Harrow Review and The Humanist, or in producing for a number of years, and though the Hendricks in their introduction write of "a steady stream of essays, books and poems urging reforms", that stream cannot often have been swollen with cash.

Salt can be touchingly unworried, as in his belief that the sole cause of crime is social injustice. One also sometimes smiles at the sententious gravity with which he puts forward a view — as when he writes: "The Humanitarian League

always looked with disfavour on the expression 'dumb animals', because, to begin with, animals are not dumb, and secondly, nothing more surely tends to their deprecation than this to attribute to them an unreal deficiency or imperfection."

But it is impossible not to admire Salt as plucky leader of an often derided or bullied minority which, in many instances, has now been transformed into a majority. Hunting corporal punishment, capital punishment; vivisection; the spoliation of the countryside; what he quaintly called "murderous millinery" (i.e. the trimming of hats with the feathers of rare birds) he was a pioneer in protest against all these things.

"Salt as a Man of Letters" (the title of one section of this anthology) writes well about Shelley and Thoreau, authors with whom he felt a particular affinity, reminisces amusingly about Shaw and two former headmasters of Eton, Balston and Hornby; and produces some sharp satirical verses, of which the following quatrain still remains apposite:

So, hey! for England's glorious rights, Free sellin' and free buyin', Free libraries; free pews; free fights, And a free ditch — to die in! It is easy to see why Shaw held a man so unlike himself in so much affection and esteem.

Francis King



The last of the great chancellors of Florence - Niccolò Machiavelli

Championing Machiavelli

THE NAME of Niccolò Machiavelli has long been synonymous with devious political cunning, and satanic ruthlessness in the pursuit of power: how does he still inspire such fear?

Perhaps one reason is that Machiavelli's most influential admirer this century has undoubtedly been Benito Mussolini, who enthused about "the impact of direct contact between his teaching and my actual life". The facts of his life are basically these: Machiavelli first came to prominence in 1498 as the Florentine Republic's Second Chancellor, a position which required numerous diplomatic missions, including two to Cesare Borgia, with whose capacity for strategic cruelty he was impressed.

When the Medicis returned to power, Machiavelli was imprisoned and tortured on a conspiracy charge, then banished into princely exile, in which condition he concentrated on writing, and nursing largely unrealised hopes for a return to the political stage. The works for which he is best known are the stage comedy Mandragola, and political works: The Art of War, the Discourses (a commentary on Livy) and most famously The Prince, a work concerned with the harsh realities of power, and coolly unconcerned with its attendant ethical questions.

However, the rehabilitation of Machiavelli as a moral and political philosopher of broader sympathies has been under way for quite some time and it is Sebastian de Grazia's apparent intention to contribute to this process. To this end, his strange new book Machiavelli in Hell attempts to combine biography, intellectual history, literary criticism and what I can only describe as a kind of ludic, free-associative essay form. The result is a bit of a mess.

His thesis, as far as I can make it out, is as follows: Mussolini and other hot-heads have got Machiavelli wrong; his is a

MACHIAVELLI IN HELL by J. Sebastian de Grazia Harvester Wheatsheaf £25.00, 497 pages

"comparative and syncretic outlook"; he has a strong moral sense in which an individual act of evil is justified if it serves the state, and God favours the state as it maintains the common good.

Does Machiavelli mean that God would permit a man to sacrifice his immortal soul with such an act? No, de Grazia concludes, citing Machiavelli's commentaries on the political excesses of Trajan, David, and the Apostle Peter who were all ultimately saved. So what we might see as Machiavelli's satanic bravado simply comes down to his lovely irreverent anti-clericalism.

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Daughter of destiny

WITH hindsight it is hard to see how Indira Gandhi was so misunderstood. After all, she had the longest and best political apprenticeship possible under the tutelage of her father Jawaharlal Nehru, India's first prime minister. Nehru and Mohandas Karamchand (the Mahatma) Gandhi — no relation to the Nehru family — did more than anyone else to wrest India's freedom from the British Raj.

This volume covers the early years of the unique tuition for leadership. At all times it was a very intense loving relationship. Sonia Gandhi includes letters right from the very earliest, the full text of the first extant letter from Indira Nehru to her father at the age of six and a half, through to comments on the outbreak of the second world war.

Here are recorded the comings and goings of almost all the great and good of Indian politics from Nehru himself, Gandhi, Subhas Chandra Bose, J. B. Kripalani, Khan Abdul Ghaflar Khan, Mohamed Ali Jinnah, Rabindranath Tagore, men who (for the most part) were giants, leagues ahead of the party bosses who later dared to think they could manipulate Indira Gandhi. From Nehru himself there are some beautiful touches that make you warm to the man's sensitivities and appreci-

FREEDOM'S DAUGHTER: LETTERS BETWEEN INDIRA GANDHI AND JAWAHARLAL NEHRU 1922-1939 edited by Sonia Gandhi Hodder & Stoughton £25.00, 483 pages

ate his well-rounded personality. He rejoices in being imprisoned in a tent under the stars rather than inside the jail and recounts the dreams the stars inspire. He denigrates his own profession.

"What is far more important is to do something that is worthwhile and that does good to the larger society in which we live. I dislike intensely my own profession, that of a lawyer. I call it an unsocial profession, for society does not profit by it. It makes people selfish and just clever enough to exploit others."

He praises Patrick Geddes: "He was a great educator and instead of the three Rs, he used to lay great stress on the three Hs — Heart, hand, head." He takes great pleasure in being greeted on the North West Frontier with "Starry mashug" — "It means 'May you not get tired'. How suitable it is, not only for travellers on the road but for all pilgrims through life."

Yet it is easy to see how the Congressmen came to misunderstand Indira Gandhi. She kept her true feelings to herself. Sonia Gandhi says in her introduction: "Indira Gandhi's shyness and sensitivity made her express herself more freely on paper than in person."

Even so, there were many times when I longed for more meat and substance in Indira Gandhi's letters. It is true that there are some touching scenes, such as her 1932 description of Gandhi's fastidiousness in breaking his fast. But the teenage Indira Nehru is more concerned with superficial chit-chat and comings and goings than with telling her father her deepest thoughts. Let alone dreams, all of which remain hidden inside herself. And until she went to Oxford in 1937 (aged nearly 20) she rarely ventures a political opinion.

Where is the young girl who was supposed to have hurred her favourite Western doll because she was devoted to the anti-colonialist cause? What are her feelings about the cause that Bapu, Gandhi and Papa were fighting for? What did she think of her long separations from her father because he was imprisoned and only allowed to write once a fortnight?

Kevin Rafferty

DIVERSIONS

A blessing — then off to Tibet

Rebecca Stephens reports on the bid to scale the unclimbed north-east ridge of Everest

KATHMANDU: After frantic months of fund-raising, shopping and last-minute packing, we arrived here a week ago, tired and jet-lagged — at Nepal's capital in the foothills of the Himalayas. Together with seven hardened climbers from Seattle, Britons Roger Mear and Paul Rose have come to tackle the only remaining unclimbed ridge on the highest of all the Himalayan peaks: the north-east ridge of Mount Everest.

It is the toughest, longest route of all. Attempted six times in the past seven years but never conquered, it remains the last challenge on the mountain. First, though, there is food to buy and more equipment. We have visited our agent in Kathmandu, Rover Treks. Half an hour's chat and it became quite clear that our planned brief stay in town would have to be extended by a week or more.

They required. Our visas, obtained independently and painstakingly in London and the United States, had been blotted irreversibly from our passports. In Kathmandu, you cannot afford to be complacent about health. Three of our team have fallen victim to tummy bugs already. Wary now, I am boycotting meat and popping pills as if they are going out of fashion. But our head sherpa, Chhawang (we have four Sherpas plus two cooks to accompany us on the trip), is more concerned about our well-being on the mountain. He insisted we be blessed by a Tibetan Buddhist lama.

The following day, he led us to the monastery. Inside, the light was dim, the air thick with the smell of butter-clamps and heavy, sweet-smelling incense. Surrounded by gilded Buddhas, mysterious in the flickering light, each of us took a sip of holy water. At 10 am, precisely the following day — not a moment sooner — we all were adorned with a *shungu*, a folded prayer to protect us which, wrapped in muslin, we will wear around our necks until we return, safe and sound, from Everest (or, in Tibetan, Chomolungma — "goddess mother of the world").

Who can say if protection from the gods will be enough? The success of the expedition depends so much on luck, good weather and, most of all, the strength and maturity of the team. Of the 10 of us, only seven will make a serious bid for the summit. Two are just youngsters: Kurt Flockeisen is 25 and Markus Hutnak 23. But the two Britons and two Americans — Speer and Tim Gage — are all in their late 30s; experienced, fit, and at their peak in mountaineering. Dick Walker, the doctor, is the oldest of the team at 41.



Onward and upward: Rebecca Stephens, Paul Rose and Roger Mear check equipment in preparation for the big adventure



Allan Thornton (left) and Dave Curry... undercover operators with a mission

Detectives who track the animal-killers

Peter Knight meets an undercover group that is dedicated to protecting endangered species

WHEN cameraman Clive Lonsdale found himself sweating profusely in a cardboard box 20 ft above ground on a fully-extended forklift truck near Dubai, he felt terrified but strangely elated. After weeks of risk and subterfuge, he was about to film crucial evidence that would contribute to a European community ban on the ivory trade.

Sharing the box in a temperature around 115 degrees F, was a colleague, professional photographer Dave Curry. Below, explaining the eccentric behaviour of his crew to a suspicious factory manager, was Allan Thornton. His assurances were plausible and well-rehearsed from years of operating undercover.

Thornton, Curry and Lonsdale's wife, Jennifer, run the Environmental Investigation Agency (EIA), a small, London-based group that has, through daring investigations, revealed some of the greater iniquities perpetrated against wild animals. Before the successful Dubai trip, Thornton and EIA colleagues had exposed Turkey for catching rare dolphins to use as chicken food; shown how the Faroe Islanders slaughter pilot whales, brutally and needlessly; uncovered damning evidence on the trade in wild birds; and helped to reduce the number of minke whales killed by Norway.

Now, they were in the Jebel Ali free-trade zone outside Dubai to save elephants. Lonsdale and Curry were high up in the box with their camera under the pretext of filming a Black & Decker warehouse for a programme on trade in the United Arab Emirates. It was the only way to get shots of the adjacent MK Jewellery factory that carved and poached ivory illegally before shipping it to markets in the East. That factory alone was responsible for the death of at least 100,000 elephants, says Thornton.

The film appeared finally on an ITV news bulletin in Britain, and MK Jewellery and other similar factories were closed down. But, more important, EIA's information on the poached ivory trade fuelled a global campaign that led to British Prime Minister Margaret Thatcher's condemnation of the trade in the House of Commons, and a US and European ban on ivory products. EIA was started in 1984 across the world and governments complained. After 36 US senators wrote to the Turkish ambassador, the factory was closed and the hunt stopped. Buoyed by his success, he set off to hamper one of the last commercial whale hunts, off the north Norwegian coast.

This mission, similar to the Icelandic campaign, needed a boat and lots of money. He and his colleagues, occupying a grimy garret off Trafalgar Square in central London, planned to buy a ship and set off to confront Icelandic whalers. (This was shortly after the UK had lost the Cod Wars with Iceland. Greenpeace had very little money, certainly not enough to buy a boat. Few took it seriously. But by May 1978 it had acquired a trawler, painted it green with a rainbow on its bridge — and named it the *Rainbow Warrior*. Years later, the ship achieved almost as much fame as the *Titanic* when it was sunk in a New Zealand harbour by agents of the French government.)

In 1978, though, the *Rainbow Warrior* set sail from London for Iceland, ignored largely by the media which thought the whole thing was a joke. "We tried to get the media to meet the boat when she got to Scotland, but I remember a *Sunday Times* journalist refused to go because he thought the *Rainbow Warrior* would never make it. I wonder if he sees the irony now," says Thornton. It was the sheer impossibility of the job that brought out Thornton's entrepreneurial skills. This, and every subsequent campaign, has been managed by the seat of his pants. His success is due largely to his leadership qualities and the respect he gets from his colleagues. Like many entrepreneurs, he is well-known for leaving the finer detail to others. Thornton left Greenpeace to

freelance in 1982, and his first job was to stop the Turkish dolphin hunts. He had heard how the Turks caught rare Black Sea dolphins and processed the carcasses into chicken food. Nobody was doing anything about the slaughter, so he raised some money from a sympathetic British group and flew to Turkey with a photographer. They talked their way into the factory, took shocking photographs of piles of dolphin carcasses, were arrested briefly but then managed to leave the country. Their photographs appeared across the world and governments complained. After 36 US senators wrote to the Turkish ambassador, the factory was closed and the hunt stopped. Buoyed by his success, he set off to hamper one of the last commercial whale hunts, off the north Norwegian coast. This mission, similar to the Icelandic campaign, needed a boat and lots of money. He and his colleagues, occupying a grimy garret off Trafalgar Square in central London, planned to buy a ship and set off to confront Icelandic whalers. (This was shortly after the UK had lost the Cod Wars with Iceland. Greenpeace had very little money, certainly not enough to buy a boat. Few took it seriously. But by May 1978 it had acquired a trawler, painted it green with a rainbow on its bridge — and named it the *Rainbow Warrior*. Years later, the ship achieved almost as much fame as the *Titanic* when it was sunk in a New Zealand harbour by agents of the French government.)

When the islanders were poor and under-nourished, whales provided an important source of protein and vitamins. Now, though, the hunt is an anachronism treated by most as a sport and much of the meat is left to rot. EIA's film of beautiful bay turned red from the blood of thrashing whales in their death throes shocked many. An especially gruesome photograph (by Curry) of a small boy holding an unborn whale foetus drew protests from all main carceres, were arrested briefly but then managed to leave the country. Their photographs appeared across the world and governments complained. After 36 US senators wrote to the Turkish ambassador, the factory was closed and the hunt stopped. Buoyed by his success, he set off to hamper one of the last commercial whale hunts, off the north Norwegian coast. This mission, similar to the Icelandic campaign, needed a boat and lots of money. He and his colleagues, occupying a grimy garret off Trafalgar Square in central London, planned to buy a ship and set off to confront Icelandic whalers. (This was shortly after the UK had lost the Cod Wars with Iceland. Greenpeace had very little money, certainly not enough to buy a boat. Few took it seriously. But by May 1978 it had acquired a trawler, painted it green with a rainbow on its bridge — and named it the *Rainbow Warrior*. Years later, the ship achieved almost as much fame as the *Titanic* when it was sunk in a New Zealand harbour by agents of the French government.)



'When you find that a species is being driven to extinction by a frivolous trade, then you have to do something about it'

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Where Jew and Arab find friendship

THIS IS a story which combines an account of the Byzantine complexities surrounding the purchase of a car in Israel by a foreign resident with an account of an obscure but curious place called Taba — for no other reason except that, in order to do *pace*, I ended up going to the others. The story begins in the Jerusalem apartment of David Israeli, a warm-hearted, observant Jew of tireless energy. This quality he needs in abundance because he makes his living from guiding those such as me through the Byzantine complexities I mentioned. The trick is to avoid the huge amounts of duty local residents have to pay on cars. All I wanted to do was buy my predecessor's previously-imported car (the regulations prevented me from simply taking it over from him).

Taba. Mention the name on the FT's foreign desk and eyes glaze while computer terminals buzz softly. The place is a footnote in the small print of Israel's peace treaty with Egypt which excites greatly the relevant departments of the two countries' foreign ministries but has a Mogadon effect on news editors. Yet, something quite unusual has been going on there — besides it being a convenient place for foreign buyers of cars in Israel to acquire a quick exit and entry mark in their passports. Taba is a hot, hilly patch of



waterless land tucked between the Sinai desert and the Gulf of Aqaba a few miles down the coast from the Israeli resort of Eilat. When Israel handed back the Sinai to Egypt under the Camp David accords, Taba remained in Israeli hands. A bearded type named Rafi Nelson established a rough and ready pub on the beach; later, Sonesta, the Israeli holiday group, was permitted to build a swish hotel on the other side of the same little headland. Taba became a popular extension of Eilat. Egypt, however, never accepted this *de facto* annexation. It kept after the Israelis doggedly to give back Taba. Eventually, Cairo won. On March 15 this year, Taba reverted to Egypt and a border post went up on the road to Eilat. The effect on Taba — or, rather, on Sonesta and Rafi Nelson's pub — was dramatic. Bookings at the hotel sank as Israelis were put off either by

the hassle of crossing the border, the prospect of venturing into Arab territory, or both. Those who do still make the trip encounter a rare mix of Arab and Jew. Sonesta is now owned — as is Rafi Nelson's pub — by the Egyptian government via Egypt Air and other state-run institutions. Recently, the Hilton group took over managing the hotel. The staff, previously all Israeli apart from some Palestinians, are now mostly Egyptian. The Israelis may all leave eventually but, while they remain, the mixed staff rub along pretty well, a little to the surprise of most of them. "We fight more among ourselves than with each other," said an Egyptian waiter, with a laugh. I found evidence of this co-operation in the nightclub. With so few guests about, it was almost deserted, but my friend Glimfiddich and a handful of staff. The hotel's Israeli chef, an incongruous figure alone on the dance floor, swayed to records spun by the Egyptian disc jockey. The Israeli waitress joked with the Egyptian barman. The nightclub manager — a Jew from Montreal — got me another whiskey and spoke of a weekend recently when a decent-sized crowd was in from Israel. "You should have seen them — Israelis and Egyptians — dancing until five in the morning. It was fantastic. Some of them were crying."

PEOPLE often ask me: "What was your best find?" How do I reply? Do I explain again about the grand architecture of the 1300 BC big building we have been digging at Maroni in Cyprus? It excites me, but many people seem to prefer objects of beauty and value. So shall I mention the lovely purple and black jugs, offerings in what might have been a child's grave? Perhaps. But the best find of 1989 at Maroni was not what anybody expected, and is no thing of beauty. It is a plain jar.

It had been standing on the floor in one of the rooms in the big Ashlar Building. Pieces from the upper body had fallen inside, and most of the neck and one handle are missing. It is not reconstructed yet, but it was about 70 cm high, of plain fabric and pear-shaped. When it has been mended, I hope it will have a prominent spot in the Larnaca Museum. What is special about this plain jar is that it has an inscription cut on its shoulder. We have found only seven signs so far — mending might produce more — and two word dividers (vertical bars that have the function of a blank space in writing today). It would not be much to get excited about, or to spend many man-hours taking it out of the earth with untiring care after consolidating its fragile clay with chemicals, were it not that Bronze Age inscrip-

Archaeology Jar with a tale to tell

tion on the Maroni jar. The two vertical bars are word-dividers

changed for it no longer to be needed. But we do not know what the changes were, except that other centres in south-east Cyprus continued to prosper. What we can try to find out is why this monumental building was put up at our site, with a massive input of labour and, undoubtedly, designed to impress. This year's digging has produced several cines. On the last day of the season we found a deep pit, made carefully, suggesting an important earlier building underneath. It was lined with plaster which means it held liquid, probably water, but it could have been olive oil. We also found many copper working fragments in levels predating the Ashlar Building. This could mean that it had a role already as a centre of the metal business — which would have been a good reason for authorising such a grand edifice at Maroni. The copper would have come from the Kalavassos mine in the foothills of the Troodos range in the west. In 1980 and 1981, we shall have study sessions to take stock of our research and prepare a report for publication. After that, with a honed knowledge of the real problems of the archaeology of Maroni, we can return to dig in 1992, or perhaps 1993, to find more of that important earlier building which we have exposed.

Gerald Cadogan

Gerald Cadogan

Gerald Cadogan

Gerald Cadogan

Gerald Cadogan

DIVERSIONS

'After a while, you can't feel the pain'

Simon Vail continues his mountain-climbing exploits in Africa by tangling with the Old Hands — and scorpions — in Tanzania

THE OLD Africa Hand surveyed the tangled mass of guy ropes and sagging canvas. "Pitching a tent," he said, "should not be done like that." I mumbled that I hoped I would improve.

"Furthermost," said the Old Hand, "we don't know exactly who you are or what you do." She flounced off and sank without trace into a very large gin. It was not a good beginning.

I had joined a band of East African mountain walkers on their expedition to northern Tanzania. Fresh from England, my skin was a ghostly white beside the Old Hand's leathery hides. The expedition planned to walk up three little-known peaks: Gela, at the south-eastern end of Lake Natron; Lengai, a dormant volcano; and Hanang, a slab of a mountain due south of the better-known Ngongoro craters.

All three peaks lie in the floor of the Rift Valley, the 4,000-mile scar that cuts through eastern Africa. The bottom of this giant's trough is hot and dusty, a cauldron of volcanic activity. Cracks, soda lakes and bubbling geysers.

We bumped and rattled across miles and miles of empty Tanzanian plains in a convoy of thick dust that forced its way into every nook and cranny, past spiny thorn trees and sun-baked anihills.

We found the miserable village of Gela Lumbwa. It was a collection of huts, depressed people, mangy dogs, a shop, and the political office of Tanzania's ruling party. To avoid



Approaching Lengai, which proved a disappointment because bad weather and cracks in the old lava flows prevented an ascent

difficulty, said Our Leader, we should camp away from the village. We nosed on up a dry river bed and made camp among a mass of loose rocks. Gela lay slumped above us, a whale of a mountain swimming in a sea of rolling hills.

African mountains discourage the walker. Thick scrub and wait-a-bit thorn bushes surround the lower slopes. Wait-a-bit thorn bushes have little curved hooks to catch the unwary, who wonder into them dazed by the furnace-like heat. One of the OHS carried a pair of rose-cutting secateurs for freeing the trapped. "They're just the job," he remarked.

grass with long sharp blades that slice the legs. If the mountain is over 10,000 ft there is a sharp drop in temperature, thick forest, strangling creepers, slippery mud — and the chance of charging buffalo or lions. Gela laid on all delights.

The OHS set off at a cracking pace at 5.30 am. An early start, I was told, meant you could make the summit before the mid-day heat and return to camp before dusk if you were lucky and didn't get lost. My natural pace left me at the rear of the party, along with the laggards.

forest grew thicker and thicker. Our Leader lost his way. There was no path in the thick jungle. Giant, stinging nettles surrounded the final summit; they left a whip-like road of unfurling, bare-kneed and teeth clenched. "It's all right, chaps," he said gamely. "After a while, you can't feel the pain."

Gela had the last laugh. The summit was covered in such dense vegetation that the grand view we had all been promised was a few yards into thick undergrowth. We sloshed back down the hill in pouring rain.

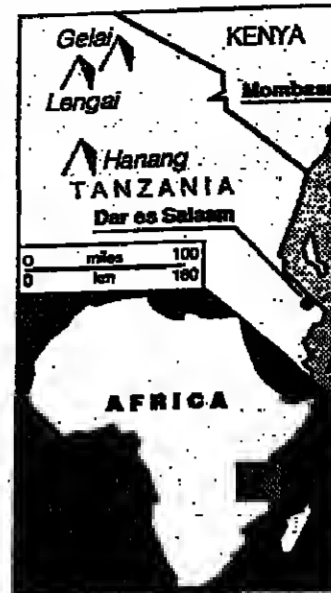
party's local political officer summoned the expedition to explain its activities. Our Leader proved a man of considerable charm and invention. We had not stopped at the party political office, he explained, because the party flag had not been flying. All the expedition — an accountant, a diplomat and two university lecturers — would, of course, be delighted to present passports, sign the visitors' book and shake hands with the officer. Villagers gathered to watch the fun. We left hurriedly.

As I took down my tent, a scorpion was found on a comfortable sleep under the ground sheet and headed for my bare foot. I grabbed a boot and dispatched the creature, hoping for OH approval. Nobody turned a hair.

The road distinguished into a boulder-strewn track that ruined suspensions and spines. Lengai rose from the floor of the Rift, a brooding black hulk. Its last eruption was 30 years ago, covering the floor of the Rift in grey ash that scorched all life. Scrubby grass, bleached white by the sun, clings to the sterile soil.

Lengai is a really serious mountain for climbing, said the OHS, because there is no easy way up through the lava ridges and valleys, very steep slopes which cause vertigo. There is also intense heat and no water. But our early-morning start was delayed by the completely unexpected heavy rain and thick mist which covered the lower slopes.

We were not able to drive the vehicles up the side of the volcano for fear of losing them in the hidden cracks and trenches that split the old lava flows. So, we abandoned Lengai and boulder-hopped up the river Engare Sero. This is a river that springs straight from the rock face of a gigantic natural amphitheatre in the wall of the Rift. I have never seen anything quite like it.



OH wielded his ice axe and leapt on a plant growing in a crack of rock. He was pretty certain this was a new species of alga. Remote mountain-tops in the Rift often have their own unique ecology, he said.

Our jolly accountant disturbed a Pentecostal minister who had gone to the top of Hanang's 11,000 ft as the one place he could fast and pray undisturbed for three days. He was singing hymns when we barged in. He refused water and biscuits and we left him with his Bible alone on the mountain behind a stone wall shelter.

That night, two of the expedition became romantically involved, which raised an eyebrow or two. Hanang resounded to uproarious laughter and Scruples. As midnight approached, the OHS downed cups of tea and stumbled off to bed. After checking for scorpions, I crawled into my sleeping bag and went to sleep.

As I lay to rest, all three mountains are off the regular tourist circuits. Even if they are visited, they rarely are climbed. But Lengai is now on the route of some Overland trucks, and there are specialist safari companies which will take you there.

If you venture independently, you need a reliable four-wheel drive vehicle with good clearance, essential spares, food, water and enough fuel to be self-contained. Hanang is reached from Mwanza by driving through Makuyuni, Babati and Katesh and climbed from the west. Detailed and up-to-date maps of the region are scarce.

Food for Thought

For cheese, say goats

before they are knocked out and rolled in a mixture of salt and powdered charcoal. Finally, as made cheese, they sit on shelves for a day or two.

At this stage the cheese has almost no flavour at all, but now it begins its *affinage*. It goes into a colder room at 12 degrees C — in effect, a walk-in fridge. After about eight days, it is ready to go to market. Each cheese, along with its jacket of salt and charcoal, has developed a velvety blue-ish coating. Too soft to be termed a rind, it is called by the French *la robe*. The flavour is getting definitely cheesier and its aristocratic class is beginning to show.

That's all there is to it. Although these little cylinders of cheese can be wrapped in paper with a posh green-and-gold label, most of them are to be found in local weekly markets where they are displayed in open trays quite plainly. Any that is destined for Paris or for export is bought by dealers from these local markets first, like antiques. At this stage, each little cheese fetches about 16 francs, so the business is never cheap.

Strangely enough, Ste-Maure is one of the few goat cheeses which a regional name that accompanies it wherever it goes. In most French restaur-

rants where there is a large cheese board, all the cows'-milk cheese will be identified by region: Camembert, Brie, St-Nectaire, Reblochon — but the goats' cheese is known simply as *chevre*.

Cheese makes itself, as Stone Age man must have discovered, but it is essential to have someone of sensitivity and

experience to watch over the process. Mme Roy has these qualities: so do the dozen or so cheese-makers at the Express Dairy creamery. Handling, breaking and sniffing endlessly, they give the lie to any notion that English cheese is made entirely by machines.

Milk is collected by tanker from farms in the neighbourhood and has to be checked for fat content. Ste-Maure has a fat content of 45 per cent, but the goats seem to know what is expected of them in that regard and there is no call for day-to-day testing.

This milk in a British creamery is pasteurised on arrival; the goats' milk in Ste-Maure is not at all, ever. Because of the pasteurising (apart from anything else), the milk mass in Britain is warm, if not hot, in Ste-Maure, the effort is to keep everything cool. And because British cheese must be hard, it is subjected to heavy pressure for a long time and emerges as a solid slab the size of a large briefcase which the supermarkets can slice up into the pieces we buy.

There are companies in France making supermarket cheese in what you might call industrial quantities. There are also British goat-keepers who make their own cheese, which they sell in small quantities through specialised shops. I asked M. Bourgogne in Ste-

Maure what he thought of this development. "Is n'ont pas l'habitude," he said. Since it is claimed that goats' cheese has been made in Ste-Maure since the days when Charles Martel defeated the Saracens at Poitiers in 732, perhaps his time scale is rather long.

Small-scale farmhouse cheese-makers in Britain are an embattled crowd; their efforts are appreciated by a modest market of enthusiasts buying from a small number of shops, many of them health food emporia of one kind or another. In most of the weekly village markets in the Touraine, there are stalls selling nothing but Ste-Maure goats' cheese; and it seems that nearly everybody who shops in the market takes a piece home.

Although the individual producers may be small by British standards, the whole enterprise is very large and meets the needs of a large market. Strangely enough, the cheese doesn't seem to vary very much. The *Syndicat d'Initiative* gave me a little promotional leaflet about the cheese which seeks to justify Ste-Maure's special reputation on grounds of the "light, chalky sub-soil of the region and the luminous climate of the valleys, particularly favourable to the production of cheese."

I expect the man who wrote that spends most of his time writing wine literature in similar vein. Perhaps we should turn him loose on Shropshire's luminous climate.

Peter Lewis

Wine

A most discreet family

THE MOUEIX family now is graciously permitting the general public to buy a selection of its wares at a wine shop. This is a major departure for a family best-known previously for its discretion, its ownership of Chateau Pétrus and other major wine estates in Pomerol and Saint-Émilion, and its quasi-monopolistic grip on the finer wines traded traditionally through the lovely little town of Libourne.

Appropriately, the retail outlet is far removed from your average office. It does not pretend to compete even with its neighbour, Magnum, which offers an excellent and competitively-priced range in a city under-equipped previously with opportunities to buy fine wines. L'Intendant is something special.

Situated opposite Bordeaux's grandest building, the Grand Theatre, and named after the pre-revolutionary equivalent of today's Prefects, L'Intendant is housed in the shell of what used to be an unpretentious tobaccoist. Not an orthodox shop, certainly nothing so trendy as a boutique, it is modelled deliberately on that most noble of outhouses, a dovecote.

It consists of an elegant spiral wood staircase lined with bottles of claret, Sauternes, and dry white Graves. These become rarified increasingly in provenance (and price) as you ascend. At the bottom is the family's only concession to the run-of-the-mill buyers: an excellent *vin* (relatively) *ordinaire* at a mere FF17.50.

although the term might appear a little relative by the time you reach the fourth floor and contemplate an array of Cos d'Estournel, a magnum of the 1929 for FF2,000, the jereboam of the 1959 for FF5,000.

The wines all come from the stock of 1.5m bottles accumulated by Duclot, a merchant bought by Jean-Pierre Moueix and transferred by his son, Jean-François, into France's biggest and best mail order wine business.

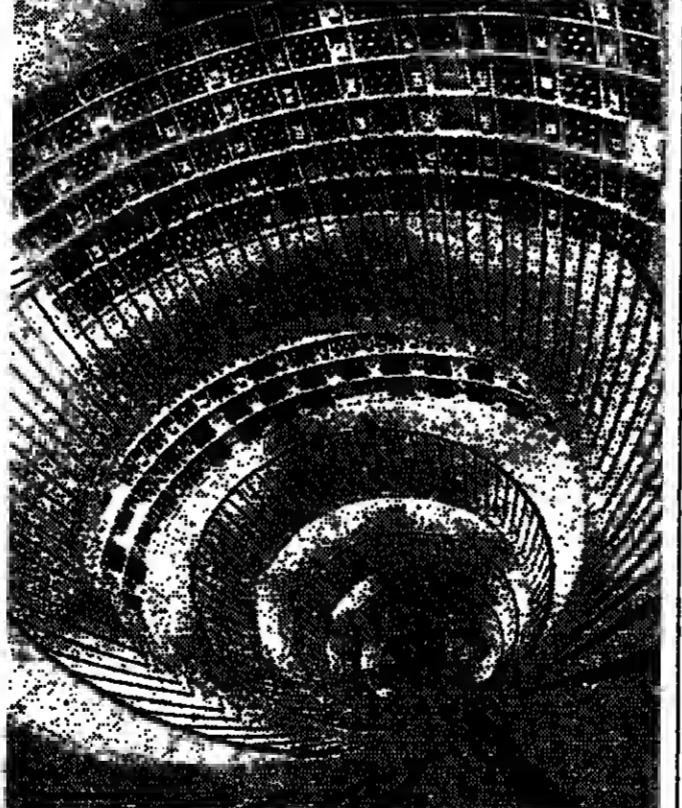
Both Jean-François and his brother, Christian, share the exquisite, courtly manners and the self-deprecating theatricality which made their father the subtlest and most effective salesman of fine wines this century — although no family member does anything as vulgar as sell you wine directly; they simply, and graciously, allow you to buy some of it.

And very good it is, invariably, albeit carrying generally what might be termed a Moueix premium.

His real chance came with the 1959 vintage, however. Moueix is a gambler — once a regular at Monte Carlo's top table — and, like many other wine merchants before him, made his name and his fortune by placing all his chips on a single vintage. The 1959s brought him a real fortune and a place in the charmed inner circle of the Bordeaux trade; yet, while most of the other members, the Crusse and their like, lost their name, their independence or both in the slump of the mid-1970s, he survived — although, at the depth of the crisis, he sold not a drop of wine for six long months.

Moueix bought not only estates (including distinguished names like Magdeleine and Trégnay) but art as well. He was the executor of Raoul Dufy, once owning an unparalleled collection of the French, charming early works of a man best-known (unfortunately) for the racing and sailing scenes he churned out later in life. But most of the Dufys have now been sold for, even at the age of 75, Jean Pierre is still the most alert of buyers, trading a Dufy for a Hockney,

delighting in a charming Roy Lichtenstein, having his portrait painted by Francis Bacon. His two sons have gone rather different ways. Jean-François is as persuasive a salesman as his father while Christian was sent to the University of California's famous wine department at Davis, an unheard-of at 20 years ago. With Jean-Claude Berrouet, a distinguished oenologist, Christian is now responsible for making the family's wines. He has established his independence with a joint venture in the Napa Valley producing



L'Intendant: an elegant staircase lined with bottles of claret

Domains which, inevitably and immediately, became California's trendiest red wine. At home, he is changing subtly the vintification of the family's Pomerol, emphasising their long life and their tannins at the expense of any immediate fruitiness. For while the Moueixes are too fastidious to proclaim their originality from the rooftops, they do tend to go their own aristocratic way regardless of what the neighbours might think.

Nicholas Faith

Eating Out

When instant success takes years to achieve

THE ADAGE used to run that there were three reasons for a successful hotel or restaurant. The first was location, the second location and the third — location.

The rise of the chef as superstar has destroyed this; we are now prepared to travel to eat very well chef Michel Guérard, Paul Bocuse in France or at the Walnut Tree Inn in Aberystwyth. But there is no doubt that for these cooking well outside London, "instant" success can mean years rather than months.

David Adlard, now resident at Adlard's, 79 Upper St Giles Street, Norwich (0603-633-522) is a good example. For a number of years his restaurant was at Wymondham, 15 miles outside Norwich, in a converted 17th century butcher's shop where the table legs wobbled on the floor and the chairs were so uncomfortable that customers often brought their own cushions.

His cooking was good enough to attract a loyal clientele but it just did't pay. And when ambition is in the air, it is not long before the chef is looking for a new challenge. The prospect of a first child joined forces, he was left with little alternative but to move to Norwich.

Adlard's has had teething problems in its new location. It missed the crucial pre-Christmas period by two months through building delays and already has become the proud owner of its second hot-water boiler since it opened for business on January 24.

chateau Rahoul 1986, for £14.50.

Like many other new restaurants, Adlard's can be faulted on its service. When so much of the action takes place in and around the kitchen, waiters and waitresses tend to gravitate

towards it and away from the customers after whom they are supposed to be looking. This seemed to affect particularly those tables furthest from the kitchen, but should improve once the waiting staff gain some confidence and realise how lucky they are to be working for such a talented and friendly couple.

The move has put David Adlard on a much firmer financial basis; he is now busy during the week and very busy on Friday and Saturdays, whereas at Wymondham he was busy only at the weekend. But he still does not have many local chefs with whom

he can share suppliers, talk prices or even gossip (possibly a chef's favourite occupation). Best results have been achieved by many restaurants of note, and the few good places have had more than their share of ups and downs: Hintersham Hall, or Shipham Place when the de Blanks owned it.

Thus, the renovation of the Swan Hotel in Southwold, with 45 bedrooms and a good restaurant, should benefit the whole area.

Owned by the brewer Adnams, the 17th century Swan had fallen into neglect and was home neither to fresh air nor fresh food. The decision to renovate it was taken late last year and Simon Loftus, who runs Adnams' wine division, was made managing director of the parent company, Sole Bay Hotels. It was Loftus who transformed the Crown Hotel, 100 yards away, only four years ago.

This year, a great deal of company money and the same amount of Loftus' time and sense of style have been put to good effect. The reception has been opened up completely, the bedrooms made far more comfortable and aesthetically pleasing,

and the public areas given some badly needed daylight. The dining room is quite unrecognisable from what it was a year ago; light, airy and well-proportioned it is particularly inviting even on the very wet afternoons we arrived, an effect complemented by the choice of very simple, good-quality white linen and high-backed, comfortable dining chairs.

This effect is matched by the cooking, now in the hands of Peter Cuffe. He starts with what is a characteristic concern in all good chefs — a mania for cleanliness.

This is augmented by the disciplines he learnt at his former job, as chef at the Belfry Club in London before being sacked by Mostmann. His experience, therefore, has been in producing interesting menus at fixed prices and this, although he is now brought to the fore.

There are three menus at lunch (£10.50, £13.50 and £16.50) and at night (£13.95, £16.50 and £19.50), with the option of moving between the three. All offer good, fresh produce prepared and cooked intelligently.

Interestingly enough, Cuffe has noticed a pattern emerging already in the choice of the menus with more people going for the more expensive items, not only later in the evening but also later in the week.

The Swan has other charms: a good wine list, although this will soon be improved (if not quite to the level of the Crown), and a very personable manager in Dudley Clarke. His situation is also wonderful, not just in Southwold itself but also its proximity to Walberswick (known affectionately as Hamstead-by-the-sea), Aldborough, or just the sea.

And should you still be hungry at lunch, some of the very best fish and chips are under five miles away at the Flora Tea Rooms in Dunwich (072-673-430).

The Swan Hotel, Southwold (tel. 0502-732-156). Single rooms from £26, doubles from £56. The Crown Hotel, Southwold (tel. 0502-723-277). Both take Access, Amex and Visa.

Nicholas Lander

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HOW TO SPEND IT

Shopping to suit a busy lifestyle

Lucia van der Post looks at a catalogue of quality



For him — a range of ready-made but nonetheless fine quality Harvie & Hudson shirts. In two-fold cotton poplin, with mother-of-pearl buttons and twin-needle stitching they come in a choice of three stripes (blue, red or pink) finely-edged in black on a white background as well as plain white or blue at £48.95 a time. Sizes range from 14½ to 17½ collar size. Worn with the shirt is a spotted pure silk tie (£18.95) and spotted red and white braces from the Regent Belt Company (£22.95)

IN THE world of shopping what passes for progress, or at any rate change, nearly always first sees the light of day in America, that acknowledged world leader in state-of-the-art shopping. It comes as no surprise, therefore, that Sears Group's plans to extend Selfridge's reach with a series of home-shopping catalogues should have been sparked off by the success of such ventures in the US. The Selfridge selection, as the project is called, comes to fruition on September 7 and follows the tried and tested formulae of great American stores such as Saks, Neiman-Marcus, Bloomingdale's et al, where "home-shopping" is an established way of life.

In the US some 30m people buy from the catalogues of stores such as Saks and Bloomingdale's. Millions will never have set foot inside the store itself. The secret of their success seems to lie in conveying through the catalogue something of the shop's real character. Nobody, after all, would ever confuse a Bloomingdale's catalogue with one from Neiman-Marcus.

In essence home-shopping enables you to part with lots of money and buy lots of goods without ever having to visit the store. It differs from mere mail order shopping in that it is based around the identity or personality of a store. Most of us already have a clear, perceived image of what Selfridge stands for but one store, based in London's Oxford Street, cannot be

within reach of all who might like its wares. The idea behind the Selfridge selection, as the Sears Group venture into home-shopping is called, is to take Selfridge and its goodies to those parts of the country that the shop itself cannot reach.

Upmarket mail order shopping has been tried before and never been a conspicuous success but Sears believes that the time is now ripe for converting the elusive ABC1 consumers into browsers through the home-shopping catalogue.

Life-styles have changed, goes their thinking, many of the shoppers they are after spend longer hours at work and use their leisure-time in increasingly sophisticated ways — shopping is no longer what they want to do when off-duty.

It also hopes to attract upmarket shoppers by developing further the kind of ideas and service that the Next Directory offers. No nasty brown paper bags for the Selfridge selection — everything will arrive beautifully packaged in white tissue paper packed into white boxes.

Orders will be dispatched within 48 hours to any address nominated by the customer and there is a 24-hour seven-day free telephone order line (tel: 0800-101-101). All major credit cards can be used. They also offer a guarantee that the customer can return any goods that he is dissatisfied with within no questions asked.

So the service side sounds excellent, if they can bring off

in practice what looks so fine in print. But what about the goods? The first catalogue homes in on autumn fashion and here Mr, Mrs or Ms ABC1 with the busy life-style can select a safe wardrobe to take them through the autumn.

There's nothing startling or avant-garde, not even some of our finest British designers (no Jasper Conran, Arabella Pollen, Ally Capellino) but you will find Yves St Laurent, Fendi and Christian Dior as well as middle-of-the-road names such as Betty Barclay, Frank Uber and others. It's the place to look for quality basics rather than high-fashion.

Next in the series of catalogues will be one devoted to Christmas presents and it is full of chic and glossy items which the ABC1s can safely and happily give to each other over the festive season.

To the target audience — that is, those who hate shopping, those who live far beyond the reach of decent shops and those whose tastes run more to the safe and classic than the avant-garde — I think the catalogues may prove a boon. Men in particular may well be grateful to be able to buy the essentials of their wardrobe — things like the classic two-fold cotton poplin shirts, good silk ties and pure cotton socks — in such a trouble-free way. The first catalogue can already be ordered free from the hotline (tel: 0800-300-366) though the catalogues themselves won't be sent out until the September 7 launch date.



From the first of the Selfridge selection catalogues — left, a generous wrap in 90 per cent wool 10 per cent nylon, in red or black, £29.95

Lucia van der Post tells you where to buy the finishing touches — from doorknobs to candlesticks — that every well-dressed house needs

WHEN IT comes to buying all the small things that give a home personality and character we have seldom, in my memory, been surrounded by so much choice and variety.

Whether your tastes run to the cool and minimal or the ornate and baroque somewhere there is something for you. Shown here are just some of the

smaller pieces that every properly-run household needs — whether it be a coathook or an ashtray, a doorknob or a mirror there are choices to be made.

Some come from exquisitely controlled minimalist designers, others from the small workshops that are springing up all over the country and possess the character and individuality that owe nothing to the production line.

■ McCloud is the company for those who long for a little decorative detail, who are tired of too much logic and too much devotion to the dictates of functionalism. McCloud believes in curves and curlicues, in bows and and fleur-de-lis and above all it believes in a touch of theatricality. There is nothing thin-blooded or tentative about its pieces and those who like some of it will probably fall for it all.

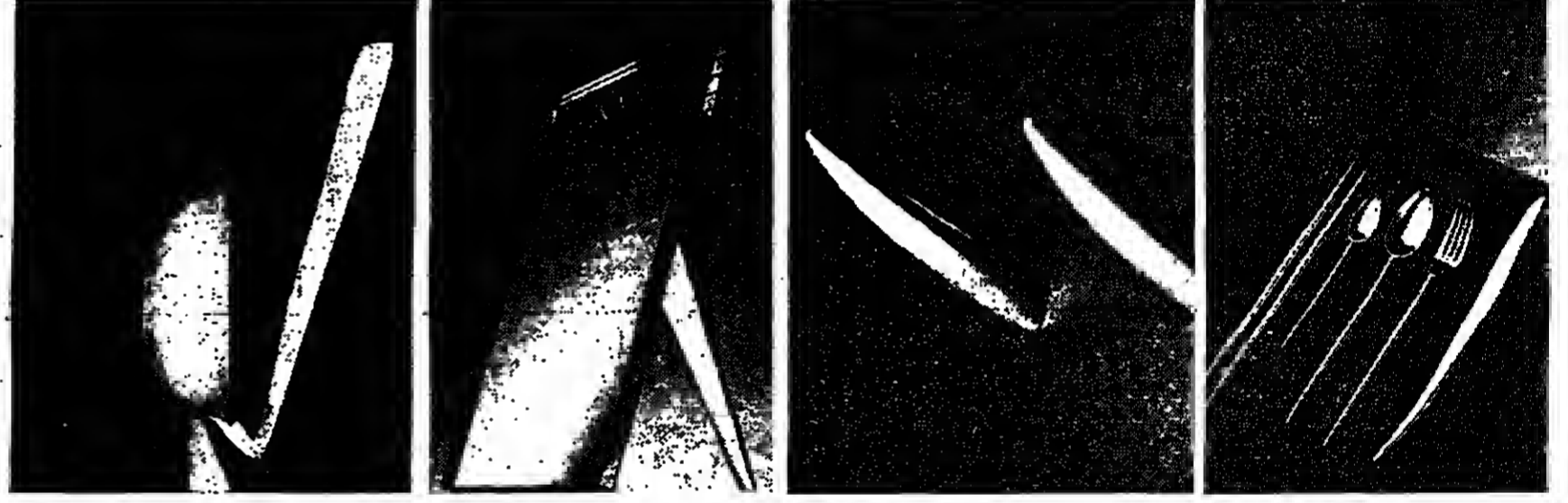
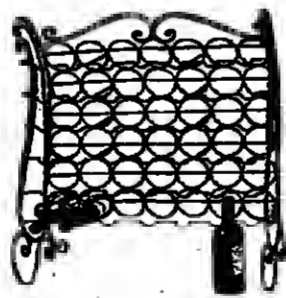
Everything McCloud makes is in forged metal and its designs, it says, "draw inspiration from the best of European craftsmanship." Each and every piece is handwrought and welded, gold-leaved, rusted and then has a patina put on it so that it looks as if it has been around for a decade or two. Mirrors come with antique glass and things like chandeliers and wall sconces can be fitted to take delicate electric fittings or candles.

There is a small selection of furniture, including chairs (highly decorative and stately looking but I don't think I would wish sitting on them for long) and a selection of console tables with decorative forged metal supports and marble tops. However, its chief strength as a company seems to lie in smaller accessories.

There is a big selection of wall sconces, with or without mirrors, there are coathooks and jardinières, mirrors and chandeliers and (a personal favourite) its wine-racks that are highly attractive in their own right and a million miles from the square rough wood and metal ones that are commonly sold. The photograph above gives you the range's flavour. The oval mirror is £25, the small regal candlestick £85, the



spoonback chair £240, and the baroque console table £850. Sketched is the Curlicue wire rack which holds 42 bottles, £278. All can be seen and bought at the McCloud showroom at 61 Hillier Road, London SW11 6AX, or they can be ordered by mail from a full-colour catalogue which costs £2 from the above address. All of the pieces are handmade and some are made to order.



■ Philippe Starck is one of the most sought-after designers in the world. Ever since the heady day when he was first commissioned to do up some of the Mitterrand's private rooms in the Elysée palace and then went on to design that most modish of all modish cafes

IF THERE is a household that has enough bookshelf space I have yet to meet it. Finding a system that is elegant, strong, adaptable and not overwhelmingly expensive seems almost impossibly difficult. However, I came across a system designed some 20 years ago by one of the design world's most eminent practitioners, Dieter Rams, which seems to do almost all that one could ask of a shelf. It goes by the rather uncharacteristic name of the 606 Universal Shelving System and is distributed in this country by Vitsoe UK, the company that was set-up 20 years ago, entirely to distribute Dieter Rams' products.

The 606 system's chief advantages, it seems to me, are that it can be infinitely changed and varied. No arrangement is fixed for all time. If you move house or change the arrangements in

(Café Costes in Paris which sports what may be the most widely used in the world) he has sported a high profile. His latest most photographed project has been the renovation of Manhattan's Royalton Hotel for the late Steve Rubell. The design press has been ooing

a room you can either add to the system or simply rearrange the elements. It has the elegantly anonymous look that one demands of a shelving system — that is, it does not intrude gratuitously upon the eye but if you take the trouble to examine it then you notice how finely-made it is.

The main components consist of horizontal or slanted shelves and a variety of cabinets, drawers and cupboards which are suspended from aluminium uprights. The uprights can be attached directly to the walls with screws; they can be partly attached to the wall with the structural weight being taken by the floor; they can be clamped in compression between the floor and ceiling or they can be entirely free-standing. There are three main options in terms of finish — entirely black metal, shelving and fittings, grey

and ahing over it since it opened last autumn. Its extraordinary combination of opulence and simplicity brings it streams of devoted visitors and OWO, the French company, was so wowed by some of its accessories that it now makes a range of them under licence.

Those whose first instinct on hearing of flexible shelving systems is to run screaming, feeling that the calculations are beyond them might like to know that either Vitsoe itself or The Conran Shop, which sells it, are happy to design systems for customers.

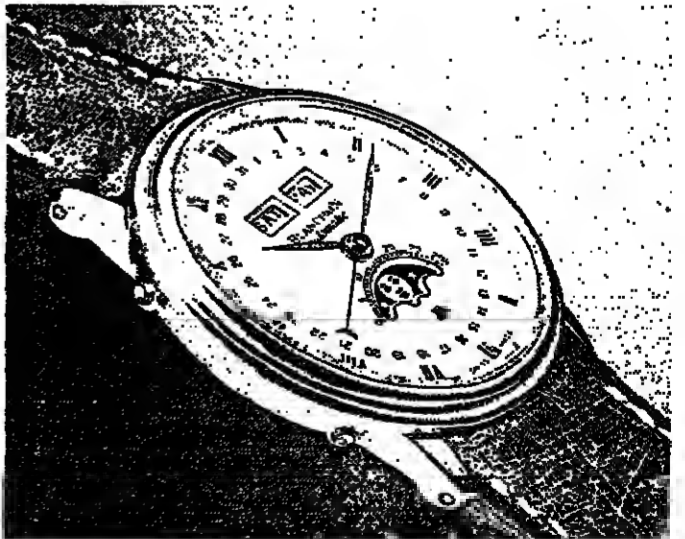
As with any shelving system giving exact prices is almost impossible but to give some idea, prices start at £26 per shelf for the metal finish. Delivery is free throughout Great Britain. For advice on the system contact either Vitsoe (01-403-5355) or you can see it and buy it at The Conran Shop, Mabeline House, 81 Fulham Road, London, SW3 and Garrett O'Hagan, 99 Capel Street, Dublin.

In this country Fast Forward, a small group of shops devoted to eclectic high-quality modern gadgets and accessories, has the exclusive rights to them. I hasten to warn that they will certainly not be everybody's cup of tea — they are very avant-garde in mood but devotees of the high-tech modern way of life will love them. They are an intensely personal expression of one man's individual talents and look almost like pieces of art, so strong a statement do they make.

There are doorknobs and coathooks, penknives, and corkscrews, candlesticks and

business card holders, ashtrays and mirrors, most of them made from cast aluminium and some from combinations of cast aluminium and frosted glass. A small selection from the range is photographed here. There are now three shops, all in London but there is a good mail order service (tel: 01-494-1115). Shops are at 14a Newburgh Street, W1, 261 Kings Road, SW3, and 72 Upper Street, N1, London. Above left to right: a candlestick in cast aluminium with a frosted glass fin, £139; mirror in cast aluminium with frosted mirror, £392; cast aluminium coathooks, £364 for 2; cutlery set, £165.

SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE.



BLANCPAIN

LONDON Carringtons, Mappin & Webb, David Morris, Garrard, London Hilton Jewellers, Watches of Switzerland, The Watch Gallery Tyne.

LITTLE BUNCHES of herbs in crink-proof packs are now to be found in greengrocers and supermarkets up and down the country, making tarragon, chervil, rosemary, oregano and other aromatic treats available readily to the cook. The herbs are imported when necessary to give uninterrupted year-round supplies. This means you can buy basil in mid-winter if you want, and green coriander and lemon grass, too.

So why can you never buy fennel? Goodness knows it is hardly enough a perennial that self-seeds with vigour all over the place. In this respect, it is a nuisance on a par with angelica; but I wouldn't be without it.

Fennel makes a tall, stately clump. Its feathery fronds look lovely when spangled with dew or rain, and the mild aniseed taste is delectable. Fresh dill leaves (which are on sale everywhere) may look rather similar but the taste is not the

Mystery of the missing fennel

same thing at all. **BAKED TROUT WITH HERBS** (serves six)

A fine, summery recipe for making the most of small farmed trout. For fly fishermen's larger offerings, increase cooking time a little. If you can't lay hands on fennel, use a little more oregano and chives.

Ingredients: 6 trout weighing about 8 oz each; 2 tablespoons each chopped fresh parsley, chives and fennel; 1 tablespoon each chopped fresh oregano, thyme and tarragon; 7½ fl. oz Greek strained yoghurt plus 2½ fl. oz whipping cream; a little concentrated or clarified butter. Measure the herbs into a small saucepan. Add a gener-

ous seasoning of salt and pepper and stir-in the cream and yoghurt. Cover and leave to infuse in a cool place for at least an hour.

Heat a frying pan. Smeer it barely with fat and fry the trout briefly, a couple at a time, just long enough to brown the skins well on both sides.

Transfer the fish to a baking dish (or other shallow oven-proof dish suitable for bringing to table) which is just large enough to take them, head to tail, in a single layer.

Bring the yoghurt and herb mixture to simmering point very slowly, stirring all the while. Pour it over the trout, cover, and bake at 350 F/180 C (gas mark 4) for 20-25 minutes until the little fish are piping



hot and cooked through. **LEG OF LAMB WITH LEMON AND HERBS** (serves eight)

If you are tempted to try an alternative to roast lamb with mint sauce and red-currant jelly, I recommend this. Ingredients: A leg of lamb

weighing 4 lb or more; fresh rosemary, thyme and oregano; 3 lb potatoes (ideally, they should be oval in shape and weigh about 5 oz each); 2 lemons; olive oil; and a little runny honey.

Put the lamb into a large roasting pan. Sprig it with plenty of coarsely-ground black pepper and the bruised leaves stripped from two or three sprigs of rosemary. Add one tablespoon of honey and rub it all over the meat with your hands. Then rub half a lemon over the lamb, squeezing the juice onto the meat as you do so. Do not add any salt. Leave to marinate for 4-24 hours.

Peel and quarter the potatoes. File them around the joint and squeeze the juice of 1½ lemons over them. Scatter

the potatoes and joint with about two tablespoons of chopped rosemary and half as much thyme and oregano, then drizzle them with two or three spoonfuls of olive oil. Pour a quarter-pint of water carefully into a corner of the pan and slide the pan into an oven heated to 425 F/220 C (gas mark 7).

After half an hour, turn the meat and potatoes and baste well. Reduce the temperature to 400 F/200 C (gas mark 6) and continue cooking for a further 1½ hours. Lift the lamb and turn the potatoes occasionally as they cook to prevent sticking to the pan base, and add a few spoonfuls of boiling water to the pan if it begins to look dry.

When the herb and lemon-scented joint is ready, let it rest. If you want to give the potatoes a more golden finish, increase the oven temperature and continue cooking them for a little longer.

Philippa Davenport

DIVERSIONS/ARTS

"WORST EVER!" said The Sun the day afterwards. "20,000 at acid bash... drug pushers galore... kids of 12 go wild."



'A fabulous children's party' - hard-core clubbers dance the night away

I could have danced all night

Today's youth would rather party than protest, says Anthony Kerr

fluorescent clothes. The screen projected psychedelic images like cartoons, surrounded by a thicket of lasers making circles in the air.

was a vast children's fancy dress party and that, in a country riven with disputes, the response of these hippest of young things was to retreat into childhood, into the simple pleasures of a lost fairyland.

action. Why fight when you can dance? Definitely Thatcherite, however, is their attitude towards money. At £15, (plus £5 membership) the party was not cheap, especially if you add spending money and £18 for a tab of ecstasy.

was much more pleasant than most pubs on a Friday night. It was the music, however, which gave the occasion its purpose and spirit, and it was excellent. Everyone danced exuberantly, jerking and punching the air, in a seamless wall of rhythm all night long and into the day.

But as the power of the RA waned so did the Summer Show. By the 1980s attendance figures were down to around 60,000 and the Show was almost a financial liability.

Quality in quantity: the Show rolls on

Anthony Thorncroft on the RA's summer tradition

TOMORROW the Royal Academy's Summer Show closes its doors. In just over two months around 140,000 people will have scrutinised the 1,250 or so paintings, sculptures and prints that make up the Show and, in the main, find that they want them.

In the last two years the panel of judges has attempted to improve the quality of the art in the Show. The judges have cut down the entry by a couple of hundred - this year 1,261 exhibits were displayed out of a total entry of over 12,000 - passing over pretty well-painted but anodyne flower pictures in favour of bigger, better, bolder works of art.

There has also been pressure on the Royal Academicians themselves to submit good things: David Hockney responded with his first oil for many years. The RA, along with 30 ARAs, can each send in six works, and if they make no offerings over five years they must have a good excuse for not doing so.

Why the old routine is still the one-two beat

Alastair Macaulay on the Bolshoy's London season

THE BASIC idea of dancing to the beat: wouldn't you have thought it was the same the world over? But no, it's not.

sound-track is several frames out of synch. And the Bolshoy does this on purpose. How strange to find that there are American and even a few British dancers who can help you hear the subtleties of Ciaikovsky better than the Soviets.

I, especially the men. Here was routine, but of what an order. Here was a realm of adult courtesy, of handsome dignity without stiffness, all on a grand scale and without any strain.



Nadezhda Pavlova and Irak Mukhamedov of the Bolshoy

Advertisement for the Royal National Theatre production of 'M. The Misanthrope' featuring a 22-carat cast and listing ticket prices and box office information.

Advertisement for advertising on the arts pages of the Weekend FT, providing contact information for Alison Nunn.

Musical movements

Ronald Crichton on the lives of three composers

LISZT'S central position in 19th century music is now firmly established. For the last 50 years and more there has been a movement in England, pioneered by such enthusiasts as Sacheverell Sitwell, Constant Lambert and Humphrey Searle, towards greater knowledge of his vast and varied body of composition.

By Derek Watson. Dent (The Master Musicians) 404 pages, £19.95. FELIX MENDELSSOHN. A LIFE IN LETTERS. Edited by Rudolf Elvers. Translated by Craig Tomlinson. Casell, 334 pages, £14.95. DELIUS: A LIFE IN LETTERS, 1909-1934. By Lionel Carley. Scholar Press, 500 pages, £30.

reproduced here - as is a portrait sketch by Schadow revealing that exhaustion had already set in as early as 1834. Poor Mendelssohn - too well educated and brought up for his own good - an early and willing victim of overwork.

Advertisement for 'MODERN MASTERS at Dover Street' featuring a portrait of a man and listing ticket prices and contact information for CCA Galleries.

ARTS

EDINBURGH FESTIVAL

Shill thrills with an odd ode to a crisis

FOR MANY a fringe practitioner, the Edinburgh Festival is just one more gig on the annual merry-go-round. But there is something a bit special about the presence in the Assembly Rooms this year of Steve Shill's latest dream drama, and of Jonathan Holloway's new production for Red Shift about the lives and art of Frida Kahlo and Diego Rivera.

they play. They engage in idle vandalism with scissors and beer cans. One of them performs, very badly, the opening pages of the "Moonlight" Sonata (if that is the standard, how do they get any bookings at all?). A girl recounts the demise of a lecherous trumpeter, the harpist laments the personal hygiene of the driver, a freelance bassist tells of sticking receipts in books and

storms. The concert does not take place. ... Red Shift's *Frida and Diego* is an ambitious biographical study composed by Greg Cullen in bright primitivist blotches, relating Diego's pathological sexuality to Frida's under-rated artistic competence and sad, crippled physicality. Charlotte Humpston's beguiling design, and the broad-brush acting, capture perfectly the Mexican

party! Anna Savva and Nicholas Jeme are superb as the twice-married (to each other) indivisible rivals. The play comes straight to the Croydon Warehouse after Edinburgh, for most of September, before embarking on a long tour, Catch it.

Michael Coveney finds more imaginative productions than usual hidden among the merry-go-round of the Fringe

picking up punk hitch-hikers. A violent kicking is administered to an inept modernist painter. This is not about the Scottish Chamber Orchestra. The work is as yet far too timidly projected. But I predict that it will grow into one of the outstanding productions of the year by the time it reaches The Place in London. The student performers with grace and conviction, and Shill's insinuating production is magically arranged in an airy white room, infiltrated by sounds of cows and birds, of rushing winds and gathering

muralist's style, with direct quotations from the great Alameda Park painting. Taking a cue from Sandstein, you might say this was "One Day in the Park with Frida and Diego." Anyone who has visited Mexico is drastically changed by the experience. My affections for the country were gently aroused by this spiced compendium of politics, passions, and images of death (there is a lovely mini-chorus of dancing skeletons). We also meet the André Bretons and the Trotsky's - at the same lunch

Netherbow Arts Centre, Imelda Stambon regales a taciturn solo clarinetist (Derek Corbhill) with her tales of amorous woe. Before the next boyfriend arrives for a musical dinner à deux, the disappointed Luba, a wealthy vintner's daughter in New York, conjures the three main loves of her life: the gauche gofer (David Thevish) to whom she lost her virginity; the married TV commercial director (Dan Mullane) who wanted tea, sex and sympathy; and the flogging, house-proud George (Bill Thomas) who is not so much a widower as "a

La Chulapona

man with a dead wife." The play is very funny, full of wise-cracks in the style of Neil Simon, a rather glossy package to find floating round the fringe (Roh Mulholland's production comes straight to the King's Head in London on September 12). But the significance of the show lies in the performance of Miss Staunton, who is rapidly becoming the first actress since Judi Dench of whom we can say she can very probably do anything. This is a stylish tour de force, a superb technical display covering a wide range of emotional and comic sentiment. The construction of Cristoforo's play may be transparently conventional; this wonderful actress is anything but, and she has a field day. Result is: so do we.

Supported by the Banca Santander and the Royal Bank of Scotland, the Festival gave on Thursday at the Playhouse Theatre the first of three performances of Moreno Torroba's zarzuela, *La Chulapona*. The production, by the National Opera of Spain, comes from the Teatro de la Zarzuela in Madrid. Spanish critics are happy splitting hairs about the various subdivisions of the zarzuela genre, which may be simply defined as Spanish light opera or operetta with a national, often local, flavour. These discussions can be tedious - no more so, probably, than endless British arguments about G and S, in practice the zarzuela, like the light opera of British France and German-speaking countries, can justify themselves easily enough.

Antonio, later in the dusk where Antonio finally wets Manuela, Mireno Torroba shows a real opera composer's ability to present situations in music. Production by Gerardo Mallá is as effective, leisurely and easy-going as the music. A pleasant surprise is sung by Lola Castañedo, whose dark, almost plummy mezzo contrasts well with the soprano of Amalia Barrio as Rosario. One would like to hear this singer's attractive, veiled timbre in other roles. As the heart-throb José María, the tenor Ricardo Muñoz is robust and likeable. José Luis Canela as Antonio, Rafael Castéjon as Chalina, the organ-grinder, Lois Barbero as Manuela's father and Julio Inera as her versatile brother are among the many who have the style at their fingertips. Worth catching the last performance tonight, because this is the only large-scale Spanish musical offering at the festival which shows much enterprise.

Ronald Crichton on an enterprising offering from the National Opera of Spain

including blind beggar and night watchman to earn a living, and other colourful street characters, Manuela's father is perpetually in debt, Rosario's mother is a money-lender. There is a spirited flamenco cabaret in Antonio's cafe, a band of aficionados on their way to a bullfight oblige with a suitable number. And so on. All this action (no doubt foreign audiences miss any amount of local allusions in the dialogue) is clothed in agreeable music of no obvious originality but evident skill. More than once, for example in the first-act waltz trio for the rival laundresses and

A musical treat, but the eyes don't have it

IN ACT 2 of Wolfgang Wagner's new production of *Parsifal* at Bayreuth, the flower maidens filter on to the stage like a troupe of classical ballerinas in flowing white chiffon. For one awful moment, it looks as if Wolfgang has succeeded in grafting on to his grandfather's sacred festival play one of the Parsifal operatic practices Wagner most abhorred in his early struggle for acceptance. The scene thankfully stops short of developing into a full ballet - yet the antiquated atmosphere of the staging does scant justice to a work which has always assumed a unique mystery and glow in the theatre for which it was created.

to remove the friction between James Levine and Gottfried Diehl, whose centenary production offered such a refreshing change from Bayreuth tradition. So the Friedrich staging has been sacrificed and Levine remains. He succeeds in drawing from the orchestra as near the ideal interpretation as we are likely to hear in the theatre today. Tempi are less self-consciously moulded than in previous years, held together with

theless that Devine is developing positively as a Wagnerian. A pity, then, that the visual counterpart is so leaden. The decor consists of six conical columns of rock crystal - apparently inspired by Aztec art - the surfaces of which reflect the green of the meadow and the rainbow colours of Klingesor's magic garden. These insubstantial columns, vaguely resembling sacks of crisply-wrapped gift boxes, bound the stage throughout the evening, except when swivelled 180 degrees to form the stepped walls of the Grail mansion.

Andrew Clark reviews Parsifal at Bayreuth

It was perhaps too much to expect Wolfgang to break free from the interpretative path he has followed all his life. His *Tannhäuser* production in 1985 suggested that the New Bayreuth style was not entirely old hat, as it pointed up some essential structural and philological parallels with *Parsifal*. This staging of the later work shows no such insights: Wolfgang has done little more than drape a new cover on his 1975 production, without being able to re-activate its inner truths. His motivation for a new production appears to have been a desire not so much to share with his life-long acquaintance with *Parsifal* as

greater inner tension. Levine's mastery of the Festspielhaus acoustics is revealed in the purity of texture and luminosity of the strings. The slow crescendo of Gurnemanz's monologues in Acts 1 and 3, and of the central confrontation between Parsifal and Kundry, are paced with exemplary musical instinct.

Wagner's well-formulated theories on the symmetry of *Parsifal* - how both Titurel and Klingesor have in different ways perverted the magic of the Grail - take rudimentary visual form in the hexagonal shape of the stage and its central plinth. But the production's minimalist movement, the bland direction of principals and clichéd costumes (by Reinhard Heilmich) turn the performance into just the kind of soporific, pseudo-religious pageant that would delight the work's detractors. Only in the Grail scenes, which are enlivened with subtle variations of colour and light, does the staging make a creative response to the music.



William Pell as Parsifal and Waltraud Meier as Kundry

William Pell's lanky, baritone and not entirely dependable Parsifal, all the principals have sung their roles in previous Bayreuth productions. Bernd Weikl makes a handsome Amfortas. Hans Sotin's short-breathed, under-the-note Gurnemanz is showing signs of age. Franz Mazura, now 65,

still sings Klingesor with vigour. Waltraud Meier's Kundry deserves a better partner than Pell. The festival chorus, trained by Norbert Balatsch, matches Bayreuth's most exalted standards. But even the best singing and conducting will not redeem this

The first part of *A Travelling Actress* was given late last Saturday on Radio 4. The second, final, part is tonight at 10.15, worth cancelling other things for. It is adapted from the journals of an 18th-century actress, Charlotte Deans, who ran away from home to marry an actor, and recorded her subsequent adventures. She made her terrified, inexperienced debut as Desdemona, where she sounds far better than you might expect; but than Charlotte was played by Judi Dench.

Radio Painful voyage round an actress

Life for a touring actress was full of incident in those days. Charlotte Deans managed a pub, went to prison with her husband when he was wrongly charged for debt, moved into lodgings with the survivors of her ten children and had two more, and, not surprisingly, went down with brain fever. Then her husband had an unexpected death. Hear the rest tonight - Mrs Deans, born 1768, lived until 1859. The director is Jane Morgan.

serve to pay off all the Duchy's debts. Unhappily, Block's apprentice leaks the invention - which is, I can tell you now the play is done, a two-wheeled, foot-propelled means of transport called a "bi-cycle" - and has added a refinement of his own, a "tree-wheel." This punchline comes rather too soon in the play; but there is such superb invention and so many good jokes, and the playing of Callow and Bennett is so delightful, that I had no feeling of anti-climax. The play was co-produced with the World Service, and directed by Gordon House.

Radio 4 has been obsessed with actors lately. There has been a repeat of *I, an Actor*, with Nicholas Craig and other actors being actors, and the more broadly comic serial *An Actor's Life for Me* that ended on Wednesday. Yet the top actors this week were heard late on Saturday and mid-afternoon on Thursday.

Mostly they consist of two cassettes in a programme wrapper and packed in a neat transparent plastic case. Some go to four cassettes and two cases. The quality of reproduction is as it was broadcast; the size of the package is four and a quarter inches by five and a half inches by half an inch. You could call them the radio devotee's videos.

children. "Rushdie" was used as a bad word at school. Praying routines were hard to understand. "Islamically" there were no arranged marriages; they were family business. Two girls told of unhappy marriages, and both claimed now to be atheists. There was rock music in a Muslim club, but no dancing, and the girls could not wear makeup. They sounded like young people of any kind living under an imposed discipline. The programme was presented by Yasmin Alibhai, Race Editor (sic) of *The New Statesman*. We need to develop a British Islamic culture, we were told, but what is that? How would it solve the Rushdie question equally acceptably to Penguin and Tehran?

The BBC Radio Collection consists of handy taped versions of popular radio broadcasts. The range is great; the latest lot I have been sent ranges from Dick Barton to a reading of Graham Greene's *The End of the Affair*. The whole catalogue includes such treasures as the *Goon Shows*, Hancock's *Half-Hour*, Joyce Grenfell, *Lake Wobegon*, *Lord of the Rings*, *The News* etc. etc.

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B A Young

A small-scale success story

The Batignano Festival, officially known as Music in the Cloister, began modestly in 1974 with a performance, in English, of Purcell's *Dido and Aeneas*. Not easy to reach (except from the coastal city of Grosseto), Batignano has nevertheless created a devoted following over the years; and now

it can count on a capacity audience - admittedly the capacity of the cloister is not large - to attend all its productions. Despite this success, the productions have still remained modest in scale. There is virtually no scenery (except the walls and arches of the cloister itself and its central well), the costumes tend to be simple, often modern, there is never a chorus, the singers are mostly unknown (at least to Italian opera-goers), and the repertoire is eclectic. But visitors to Batignano, even if they do not know the singers or the opera being sung, know that they can depend on the director Adam Fallick's serious musicality, his taste, and his flair for choosing the right collaborators.

Not that everything in the cloister is perfect. In the production of Handel's *Rodelinda* that opened recently, some of the singers were less than the conductor-tenor Jonathan Kenny, as the betrayed king Bertarido, had a plangent, winning tone and a gawky presence; but still the good far outweighed the bad, and the loyal public heard a genuine Handel performance, a great rarity in Italy, where the Handel is given, at all, it is usually in unauthentic versions with star singers ignorant of proper style.

Batignano's voices tend to be small, but in the confined, intimate playing space, this is alright. We had the other night a kind of chamber *Rodelinda*; the emotions were bigger than the sounds they inspired. Still, the sheer intensity of Lynne Davies in the title role, her nobility of carriage, and (after some obvious nerves at the outset) her vocal security made up for any lack of lung power.

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Similarly, the tenor Paul Nilon, as the scheming (but eventually repentant) Grimoaldo, gave a splendid musical and dramatic characterization of a figure far from easy to delineate. It was not necessary for him to yell, to hammer home his points, from villosity to madness to final serenity; he demonstrated a secure grasp of a broad interpretative range. Similarly, Katherine Steffan, though not always secure of intonation, portrayed an impassioned, moving Edwige. Nilon, Davies, and Steffan were also admirable in their clear Italian enunciation (all-important in an opera rich in recitative), an achievement that Kenny unfortunately was lacking (Bertarido's words were garbled in a thick British

William Weaver reviews the Batignano Festival

accent, making him sound more like a foreign invader than a Longobard king). In the smaller roles, Jonathan Best turned the duke of Turin into a bully-boy thug, but made good use of his somewhat hollow, not particularly agreeable voice; and as the faithful Unifio, Theresa Feighan had little to do until her last-act aria, which she sang fluently and engagingly.

The Musica nel Chostro orchestra, also of chamber proportions, seemed to consist mostly of young British players, and - as the numerous solos and exposed passages indicated - of considerable skill and sensitivity. The conductor Ivor Bolton drove them hard, and there were moments when a bit more suppleness would have been welcome. Still the execution had shape and vigour and drama.

With a pond devised in the centre of the long playing platform as the only scenic element, Matthew Richardson concentrated his staging on the players themselves. Fortunately, he had good actors, for the most part, and he could make their frequent confrontations meaningful and exciting. The long arias, with their repetitions, were not tricked out with a lot of extraneous business; the repetitions were dramatised, ironed, but in the changes of facial expression, the spare gestures, and - often - in a taut immobility more effective than any stomping and ranting. A special word of praise is due to Rick Fisher's incisive lighting.

At home with the Blakes

making the point that the issues of the 18th century were significantly analogous to our own: the fires of patriotic zeal flicker against the walls as the "traitor" Paine, a fugitive from the French mob, takes advantage of the cosy seclusion of the Blakes' Lambeth garden to propound his revolutionary theories to a visionary outcaste who sits naked in trees.

possible to be perched six foot up a tree with nothing but a garland for modesty, while Michael Maloney's Blake is a study of blank-eyed otherworldliness coupled with boyish eagerness to please and a zealous belief in "revolution" as opposed to "reform."

What in Blake's terms is a matter of seeing angels becomes to the embattled populist, Paine, an assertion of a redundant individualist ethic. "The revolutions of France and America are the only events of any meaning in the entire century," asserts Boh Peck in an accent that one can only describe as Norfolk, US. Yet Blake, too, was a revolutionary

thinker, pictured here yearning for an honourable engagement with the Establishment, and maintaining pettishly that while in most countries writers are very properly executed, in England they are very improperly ignored. Shepherd who also directs, offers no reconciliation. Out of all the wine and brandy consumed during the evening comes no maudlin togetherness, rather a recognition of the differences that persist between artists and activists, compelling the activist to go out over the garden wall once again. The points are put elegantly and eloquently enough to give a risible redundancy to the anti-smoking lobbyist, who had to be hustled offstage after a noisy protest at the end of the show. Had nobody told him that Fidel Castro has given up cigars?

Claire Armitstead

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SPORT

From the sublime to the ridiculous

Ben Wright is worried about the effects of more commercialism on top professional golf

IT HAS been a very strange month in the world of big-time golf since the palpitating finish and Mark Calcavecchia's unique four-hole play-off victory in the Open Championship at Royal Troon. The cynical, and I am rapidly becoming one of their number, might say that the professional game at its highest level is fast retreating from the sublime to the ridiculous as it becomes ever more sickeningly commercialised.



Ray Floyd: verbal warfare should stop

convinced that betting facilities at the actual site of golf tournaments are a terribly bad idea, as was conclusively proved when the experiment was first launched, and quickly dropped, nearly 20 years ago.

I thought the professional game in America had been milked by commercial interests outside the sport to an alarming degree. But nothing has shocked me more in living memory than last week's appointment of the William Hill Organisation as the official bookmaker to the European Tour, together with the promise from that company that they will offer on-course betting facilities during at least six events next season.

I saw nothing wrong with Tom Watson trying to take advantage of the absurdly generous odds of 60-1 offered against him winning at Troon in a local betting shop. But as he told me in Denver, Colorado, this week, Watson, a much respected traditionalist, would never dream of placing a bet on himself or anyone else at a tournament venue.

Aside from the rowdy element that golf events in Britain have seen become increasingly apparent - and which the game can definitely do without - it is the criminal element that is never far behind, that worries me. When the short-lived experimental on-course facilities were first launched, many players assured me such wagering would never influence or adversely affect their play. But in my humble opinion it will only be a matter of time before a golfer is "got at" by those who find it impossible to resist the temptation to try to influence the outcome of the tournament. It would be childishly simple to pull off such skulduggery.

For instance few who witnessed it will easily forget the innocent incident at the 1978 US Masters tournament when

Herbert Green, poised over a four-foot putt on the 18th green to tie the eventual winner, Gary Player, was fatally disturbed by a nearby radio commentator, whose whisper intruded so rudely on the total silence respectfully afforded Green.

Poor Hubert backed off and laughingly rebuked the commentator in question. But the damage to his concentration had been done, and the eventual putt almost inevitably hardly threatened the hole.

My main complaint about Rapid Cricket Line is that if you telephone one of the county information numbers it provides, to hear how that county are doing, but for some reason you ring on a day when that county is not playing, you are not told to ring back on a different day. You are not told that the day in question is empty.

This verbal warfare can only inflame the passions of a crowd whose behaviour will be watched with more than passing interest by those members of the media from both Britain and America who as usual are thirsting for trouble.

While on the subject of bad behaviour, Payne Stewart's best match title victory, won at the USPGA championship last Sunday evening was marred by his antics in the scorer's tent at Kemper Lakes golf club on the outskirts of Chicago. Scores of players assembled in Denver this week for the International Tournament at nearby Castle Pines, agreed with me that Stewart's behaviour was nothing short of disgraceful. Stewart clowned around while out on the golf course like a child, who had led the event from the opening

day, was dying a slow death, if only figuratively. Reid, who had also led the US Masters in April, until hitting a terrible wedge shot into the pond at the 16th hole, having three-putted at the fourth, found a way to lose again in an ironically similar fashion. This time Reid found the water to the right of



Tony Jacklin: should stop mouthing off

the 16th fairway, and then took three sorry putts on the 17th green to present the title to Stewart.

Crass commercialism again reared its ugly head. Stewart is paid vast sums of money for wearing golf clothing put out by the National Football League. At the point he turned away from the camera in close-up to point to the League's logo on the back of his cap, Thankfully Reid returned us to sanity by giving Stewart a warm embrace. Golf's integrity had thankfully been saved once again, but I wonder for how long?

CRICKET telephone information services are one of the game's new sub-cultures, along with tapes and videos about great matches and personalities, such as the BBC's Bradman tapes and Ashes Regained video. This last shows highlights of England's victorious series against Australia in 1985, a memorandum of a lost world.

Howzat then cricket lovers? Teresa McLean plays a straight bat to telephone googlies marooned or imprisoned away from television or radio do not mind paying that much to hear the latest news about important matches. It is easily understandable. Indeed, what a match is close and exciting, it can even become addictive.

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CROSSWORD

No. 7016 Set by CINEPHILE. Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday August 30, marked Crossword 7016 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 2.

- 1, 7 Devised with consideration, we shall nevertheless seek for custom (4,7,3)
2 Small boy or Pacific island (5)
3 Deciding what's the matter, is doing as arranged (9)
4 Local target (4,3)
5 Provide the ultimate - up-per-class English (5)
6 Charged with making suace with cadmium? (7)
7 18 Wipe tub, perhaps, to remove parasites (4,4)
8 More or less black and white food container (3,4)
9 Top 100 - 500 sheets (5)
10 Saint with religious practice: don't give it up (5,4)
11 Where's the halo of the parli-meotarian? (9)
12 Nuclei that part in port (5)
13 29 Old airline takes on pure gold: it can swallow most things (3,11)
14 Retire, having unsettled game (8)
15 Irish rhyme - "tree" with "hay" (8)
16 Unfinished article to take from excitement (5)
17 Experienced person, in former times four inches (3,4)
18 Cautious as a prisoner? (7)
19 Model surprisingly seen twice by Williams (6)
20 Legally positioned in consideration (6)
21 Trying sort of person on top of bed (5)
22 Irregular health resorts where doctor upstet police (8)
23 Broken mail in hand at end cup (8)
24 Provider of cover-ups for the house? (8)

TELEVISION/RADIO

Indicates programme in black and white. SATURDAY. ANGLIA. 11:30 am The Chart Show, 12:30 pm A.L.F., 2:30 pm The Chart Show, 3:30 pm The Chart Show, 4:30 pm The Chart Show, 5:30 pm The Chart Show, 6:30 pm The Chart Show, 7:30 pm The Chart Show, 8:30 pm The Chart Show, 9:30 pm The Chart Show, 10:30 pm The Chart Show, 11:30 pm The Chart Show.

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